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For most people, a tax refund feels like free money. An unexpected bonus that's all too easy to spend. But if you take a long-term perspective, this money can be an opportunity to improve your overall financial wellness.

There are several ways you can use your tax refund. If you don't already have an emergency fund, this is a good place to start. An emergency fund is money set aside for unexpected expenses, such as a job loss, medical bills, car or home repairs. Generally, we want to save enough money to pay for three to six months of your expenses.

Saving your tax refund can help you meet that goal. You could also consider paying down high interest debt like credit cards, student loans, or personal loans. Another option is to boost your retirement savings by investing your tax refund in your employer sponsored plan or an individual retirement account.

This way the money will grow over time, and you could receive additional tax benefits. If you have children, you might invest your refund in a 529 college savings plan. Money saved in a 529 plan is typically tax deductible. This money will grow over time and will not be taxed when you withdraw it, so long as it is used for qualified education expenses like tuition, fees, books, or room and board.

You could also choose to save the money for a specific financial goal, like buying a house, or you can divide the refund and choose a combination of all of these options. While it's important to be responsible with your finances, it's also okay to spend some of your tax refund on something fun or enjoyable.

Treat yourself. Just make sure not to overspend. Need help figuring out the next steps forward? Call CAPTRUST.

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