

What to do with your tax refund

Your tax return has been lodged and you've received your refund from the Tax Office. But have you thought about ways to use this money more effectively? If you can't remember what happened to last year's refund, then it's about time you sat down and planned what you're going to do with this one.

Here are the top five suggestions for putting that tax return to work.

If you have a credit card debt, you may be paying up to 20% in interest. Pay off non-tax deductible, high-interest debt first - every \$1,000 that you can pay off takes between \$140 and \$200 a year off your interest bill.

If you've bought a house recently, paying off a lump sum at this point in the mortgage can have a dramatic effect on your loan. The earlier in the loan you add money, the greater the effect at the end of the loan.

Use your tax refund to fix small problems before they become big problems – it's time to get the car serviced or make those necessary house repairs. Don't forget about yourself or your family - visit the dentist, doctor or even put the refund towards that gym membership.

Depending on your salary it may be worthwhile putting your money into investments that generate additional benefits. If you're a low-income earner, investing \$1,000 into superannuation will get a matching contribution from the government of \$1,500. If you have a higher income, talk to your accountant or financial planner about the impact different investment decisions may have.

If you're saving for a holiday, car or other major purchase, consider putting the money into a low-fee savings account. A term-deposit can help lock the money away until you need it. As it's a special purpose account, look around at the small financial institutions and credit unions to get the best return you can.

Putting your money to work for you means that next year you won't be trying to work out where this year's money went.