

Brought to you by The Financial Clinic and Change Machine

**Do you provide financial coaching to individuals?** Take advantage of free Change Machine tools to help you help your customers to plan for tax time.

## Now let's get started:

Helping customers make a plan to use their tax refund wisely is a key step in successfully coaching your customers through tax time. This toolkit has three tipsheets that will help you aid your customers to plan for additional income from their tax refund and adjust to new tax laws to maximize tax season 2019 and beyond!

***7 Healthy Things to do With Your Tax Refund*** is a great tipsheet to review with customers before they file their taxes. It outlines multiple options for making their return work for them like setting aside some savings for emergencies, or allocating a certain amount of their refund to future goals. Additionally, the tipsheet has a section that allows customers to identify goals that are important to them and to write down the specific amount of their tax refund they would like to allocate toward each goal. This is an ideal planning tool!

***Which Bills Should I Pay First*** is a valuable tipsheet for customers who are grappling with a few tough financial decisions during tax time. Whether your customer has numerous pressing financial needs that are spinning out of control, or they just need help prioritizing, this tipsheet will help with the decision making process. Additionally, the tipsheet includes a section on how to deal with creditors and collections agencies, as well as how to create a payment system that works for them, making this tipsheet a good go to for any coaching session involving debt or collections.

***Find the Right Balance: Adjust Paycheck Withholding*** asks customers to take an important look at how they are making decisions about the allowances they make on their W-4's. This document is great for customers who notice that their refunds are smaller this year or who unexpectedly owed money to the IRS. Using this tax tool, you will be able to walk your customer through the decision making process of making adjustments to their W-4's so that next year they do not run into the same issues.

**Want even more tipsheets to support your coaching conversations?** Check out [Change Machine](#), where you can find our full toolbox, along with training content, session tracking and action planning tools, and an online community of other coaches and nonprofit professionals. Contact [partnerships@thefinancialclinic.org](mailto:partnerships@thefinancialclinic.org) to learn more!

# 7 Healthy Things To Do With Your Tax Refund

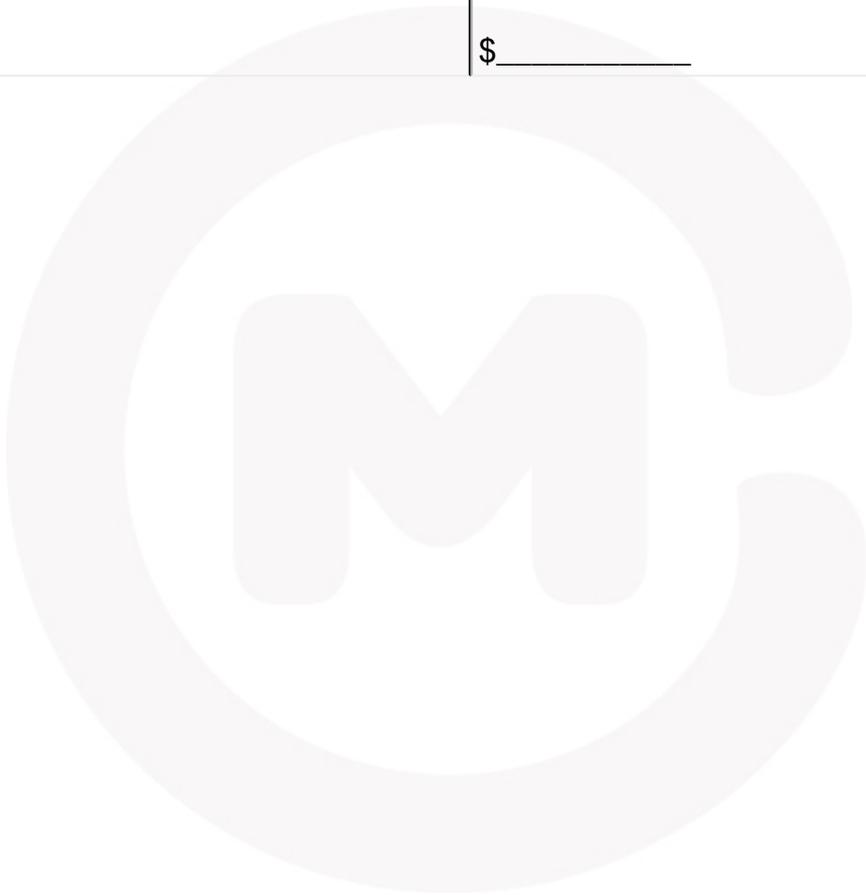
Congratulations! You've worked hard this year and your tax refund reflects it. Here are some ways you can use your refund.



- 1 Reward Yourself** You've worked hard and you deserve a reward. Keep in mind your current financial situation, but don't be afraid to put some of your refund aside for yourself.
- 2 Pay Down Priority Debt** Seek help developing a strategic payment plan for any outstanding debt. Prioritize debt using [Which Bills Should I Pay First](#).
- 3 Reward Your Future** Allocate some of your refund to your financial goals -- like a new home, starting your own business, building your credit through a secured credit product, or jumpstarting your retirement savings. Consider opening up a new savings account, a CD, or a savings bond.
- 4 Secure Emergency Funds** Think about all the unusual expenses that could come up in the next few months: higher heating bills; a new starter for your car; a child's graduation. Reserving some of your tax refund will help you get through emergencies.
- 5 Enjoy Your Refund Throughout the Year:** If you receive a large refund, like \$6000, you can deposit your refund into your savings account and then set up automatic monthly transfers of \$500 from your savings account to your checking account. This way you'll have \$500 "extra" every month. With this constant flow of money, you'll find it easier to pay your bills and cover emergencies.
- 6 Clean House** Getting a tax refund is a great opportunity to clean up your financial house: get your paychecks directly deposited; start monthly savings; outline a strategic retirement savings plan.
- 7 Take Charge of Your Paycheck** If your refund was large because you had a lot taken out of each paycheck, consider lowering your withholding so that you can be the one using that money throughout the year. Tell your employer you want to revise your [W-4](#) and check out [paycheckcity.com](http://paycheckcity.com).

Anticipated Refund \$\_\_\_\_\_

My 3 Important Goals	The Amount I will dedicate
1.	\$_____
2.	\$_____
3.	\$_____



# Find the Right Balance: Adjust Paycheck Withholding

Adjusting your paycheck withholding so that it is in line with what you actually owe when you file your return may be a great way to increase your monthly paycheck and to more quickly achieve your financial goals. By adjusting your paycheck withholding and increasing your take home pay you can pay down your debt, invest your money, or save for retirement.



- 1 Take a look back.** Gather your tax documents and take a look back at previous tax returns. If you received a large refund last year, you may have been withholding too much. Now is the time to investigate. To get a better sense of how to adjust your withholding check out the IRS Withholding Calculator at [www.irs.gov/Individuals/IRS-Withholding-Calculator](http://www.irs.gov/Individuals/IRS-Withholding-Calculator). Make sure you have your pay stubs and recent tax return handy. If the numbers are telling you it's time to adjust your paycheck withholding, don't fret, it's easy.
- 2 Ask your HR department for a new W-4.** Start by finding out what information appears on your current W-4 form to assess where you should go from there. Make a habit of checking this form periodically especially when you experience major life events like getting married, getting divorced, having children or buying a new home. All these factors can affect the number of allowances you claim.
- 3 Determine how to split allowances.** If you are married, pay extra attention to calculating paycheck withholding correctly. If you and your spouse are both in the workforce, you should figure out how many allowances you can claim as a couple. The second page on the W-4 worksheet can help you and your spouse determine the correct number of allowances.
- 4 Enjoy a fatter paycheck.** You can generally expect to see the difference in your paychecks about a month after increasing your allowances on the W-4 form. This is your chance to align this extra take-home pay with your goals. Consult the Envisioning My Goal worksheet to make arrangements. Maybe you will direct the extra money toward long-term goals such as saving for your child's college fund or increasing your retirement contributions to have that money work for you. Also consider a small recurring expense that can be covered like the phone bill or electric bill. Regardless of what you choose, you can use this extra money to your advantage.
- 5 Claiming too many allowances.** If you claim too many allowances on your W-4 form and, as a result, not enough taxes are withheld from your paycheck, you will owe the IRS money when you file your return. You may even have to pay a penalty. If you experienced financial strain last year because you owed taxes due to withholding too little, you can still make proactive changes to your W-4 to avoid unwanted surprises next year.

# Which Bills Should I Pay First?

When money is scarce, prioritize which debts and expenses must be paid and what you can let slide. Some of the guidelines here may surprise you.



- 1 **Pay For Necessities First** Your top priority should be paying for food and essential medical expenses for your family.
- 2 **Pay Your Rent** If you don't pay your rent, you will have to pay late fees and you could be evicted. If you're behind, ask your landlord if you can pay the amount owed in three installment payments over the next three months.
- 3 **Pay Your Utilities** Keep the lights and the gas on! Consider eliminating unnecessary utilities like cable, Internet, and additional phone lines.
- 4 **Pay Child Support** If you owe child support, there are serious penalties, including prison, for not paying what you owe.
- 5 **Make Car Payments** If you have a car and need it for work, this payment should be a top priority. If your car is not essential, this payment is not as important.
- 6 **Pay Your Taxes** Stay out of trouble with the IRS. Even if you can't afford to pay all the taxes you owe, you still must file a return. And then you can negotiate an installment payment plan.
- 7 **Pay Student Loan Debt** If you have student loan debt, it should be a medium priority. Failure to pay student loans can result in seizure of your tax refund and ineligibility for future federal student loans and grants. Even if you're not able to pay your student loans, you may be eligible for a deferment, forbearance, or Income Based Repayment, which could make your student loan affordable.
- 8 **Credit Card Debt Is A Low Priority** Even though you may be hearing from debt collectors, there isn't too much that these creditors can do to you in short term. Yes, being late on credit card payments will damage your credit, but having bad credit is better than not having enough food or no place to live. This rule also applies to bills from hospitals, doctors, and attorneys whose services you are not currently using.

## How to Deal with Creditors and Collection Agencies:

- ▶ Don't change the priority of a debt just because the creditor threatens to sue. Usually the threat is just talk and even if a creditor does sue, it will take some time for anything to happen. However, this rule does not apply to your landlord. If you are late or don't pay your rent, you can be evicted, which is why paying your rent on time is so important.

- ▶ Don't change the priority of a debt just because you're getting calls from a collection agency. Treat the debt collector politely on the phone, but make decisions about which bills to pay first based on the best interest of you and your family. Even if the collector threatens to ruin your credit, that shouldn't change your priorities because chances are credit reporting agencies already know about the status of the debt. If a creditor appears to be crossing the line, check out [Know Your Rights When Debt Collectors Call](#).

## Make a System That Works For You:

- ▶ Create a 3x5-inch index card for each of your bills.
- ▶ Write down what the bill is for, the amount due, the date due, the date you need to mail the bill, the contact information, and any special instructions (for example, "Must pay rent or may be evicted" or "Call to ask for extension").

