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## Lynn's Top Five - Income Tax: Get a Refund or Plan to Owe? The Great Debate!

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decent interest rate on our money, right? But point well taken: your hard earned money is just that---hard earned. And who does a better job of managing it, you or the government? Cautionary tale: The government has cash flow problems and is on to you! Pay systematically what you owe during the year or face BIG penalties come April.

5) I OWED SO MUCH INCOME TAX THIS YEAR --- I REALLY GOT CAUGHT OFF GUARD AND THIS IS A REAL MESS FOR ME AND MY FAMILY. I find these statements come mostly from those who are paid irregularly throughout the months, are self-employed with erratic income, or had an unusual transaction during the year such as a profitable investment sale AND they didn't make time to pay up and get caught up with taxes due during the year in real time. What's the lesson: If any of these situations resemble your life, you should schedule a mid-year tax tune-up and get on top of things! April comes around again faster than we'd like to think!

The power of great financial planning is not just math based solutions, but solutions that inspire us, match our psychological profiles, and give us positive results. And as in most things in life, one size does NOT fit all! So, go ahead --- color outside the lines --- if it works for you! The real lesson is to be in control, look at the real numbers, and PLAN AHEAD!

When it comes to income tax refunds, most pundits say that getting a refund is similar to getting a bad sunburn - to be avoided! But clients often feel otherwise finding that receiving a meaningful refund is a great cash flow tool for them and an integral part of their cash management techniques.

I thought it would be fun to share some of the things I've heard from clients over the years about this topic and offer some other options.

1) I LIKE GETTING REFUNDS, BIG ONES, BECAUSE I'LL DO SOMETHING SIGNIFICANT THAT I WOULDN'T OTHERWISE BE ABLE TO AFFORD! For many this big check --- often times many thousands of dollars --- is the money they might use for something such as a family vacation. Their thinking: if they don't see that extra cash in their paychecks every month, and get a big check annually from the government instead, it's like a Christmas Club account. Better idea: move money automatically each paycheck to a savings account. That way you have access if needed and you don't need to wait for tax season to get your own money back! You can still let it accumulate for that Disney Cruise and take it whenever YOU want!

2) I LIKE GETTING A REFUND THAT'S THE SAME AMOUNT AS WHAT I OWE FOR MY SPRING PROPERTY TAX BILL! Property taxes, that unfortunately timed spring bill, seem to loom large for many. If you depend on your refund consistently every year to pay your income taxes, you might want to call your mortgage lender and set up a monthly impound account instead. Again, you are in control, not the government.

3) I USE MY TAX REFUND TO PAY OFF MY CREDIT CARD BILL EACH YEAR. Ouch. So, if the amount of the refund is the same as the credit card bill, then wouldn't it make more sense to adjust your withholding each month so as NOT to incur any credit card debt? Rates on credit cards are awful! Don't incur them if you can avoid it! Adjusting your withholding is a simple step toward getting that accomplished and use your debit card to buy only what you can afford that month.

4) I WANT TO OWE!!! WHY GIVE THE GOVERNMENT AN INTEREST FREE LOAN? These folks tend to WANT and LIKE to owe the government as much tax as they can get away with. And, okay, this had way more teeth as an argument when we actually earned a

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