

## Tax Refunds: Putting the F-U-N Back in Tax Season



It's the happiest time of the year! The trees are budding, the flowers are blooming, and your income tax returns are due. Ok, tax season may not seem like a good time, but hear me out – there are plenty of positives associated with filing your taxes.

It's the perfect time to test the sturdiness of your tables as you repeatedly bash your head against them. It's a great time to create filing systems in the hopes of making the process less painful next year. It's a fun time to wave at that guy dressed as a red leaf outside the tax return place on Ontario Street in St. Catharines. And it's a great time to revise your budget to find the money for an accountant to save you the trouble of doing your taxes altogether!

Of course, it is also a time for tax refunds. They are the biggest payoffs of this laborious season... literally and figuratively (I love a good pun!). Although you may not find the f-u-n in the tax filing process, you can't deny that tax refunds are great!

**File Your Taxes and Climb Aboard the Fun Train**



The other day I was sitting in the doctor's office, watching city workers fix the road outside, when I decided to check my mobile banking to see if my tax refund had been deposited in my account yet. I resisted the urge to jump out of my chair and do a happy dance when I saw the money had arrived earlier that day. I may have been happy about it, but the other people waiting for the doctor didn't seem particularly keen on a dance flash mob.

Instead, I took a moment to reflect on the fact that life in Canada is great. Tax refunds remind me that we pay taxes for so many amazing services, and our contributions are valued and accounted for properly. Whenever I am lucky enough to get a refund, I make sure to try to make the most of the money by reinvesting it in RRSPs.

I can hear your eyes rolling from here. You're probably thinking: "But Catherine, you said tax refunds were fun. RRSPs are boring!" I know not everyone thinks like a financial advisor. You may see tax refunds as free money; as a welcome surprise; as a chance to splurge on a luxury item...but it's my job to help you make the most of your refund. Before you jump aboard the Fun Train and set out to the sunny destination of Shopping Spree-ville, take a step back. Together, we can find a way to make your dreams come true without sending your Fun Train careening off the track

### **Switching Tracks: Ditch the Anxiety Train**

Let's look at an example of a member who came to me to help her make the best use of her income tax refund. Lauren is a middle-aged woman living with her college-age daughter and her

senior mother. By contributing to her RRSPs last year, Lauren earned a sizable tax refund of \$7,000. She had planned ahead for her retirement, and she had been rewarded for that behaviour. Before running out to book a cruise with her girlfriends, Lauren decided to ask for advice on the best way to spend her refund.

As a member of the sandwich generation – caring for her growing child and her aging parent -- Lauren felt pressure from both sides to support her family. In this case, she wasn't sure if she should spend her tax refund to help her daughter or help her mother.

On one side, Lauren wanted to help her daughter pay her college tuition (and hopefully help her start her working life debt free). On the other side, she wanted to help her mother, who had broken her hip a month ago and needed respite care while Lauren was at work. Stuck in the middle, Lauren wanted to treat herself, but she also worried about her own retirement savings now that she saw how unexpected expenses could eat up a limited income!

When Lauren came to me, she wasn't sure if she should contribute more to her own RRSPs (to cover unexpected health issues), help her daughter, or help her mother.

To help Lauren climb down off the speeding Anxiety Train before landing in Panic Station, we sat down and did a [Life Events Planner](#). We determined that her mother's health and her own health were the priority in her life at this point. Her daughter was healthy and able to pay for tuition with her OSAP loan. In contrast, Lauren couldn't be home 24/7 to take care of her mother because she needed to work. Her mother felt like a burden and Lauren was on the verge of burnout. She desperately needed help and a vacation. Together, we determined that Lauren should use a portion of her tax refund to pay for respite care for her mother (approximately \$6,000). By reaching out for help for her mother, Lauren would have time to recharge and care for herself.

We decided Lauren would put half of her remaining tax refund into RRSPs (responsible!) and increase her PAC to increase her retirement savings contributions. This would help her earn tax refunds in the coming years, and it would also help her switch from the Anxiety Train (worrying about her retirement and health expenses) to the Fun Train.

So where is the fun? Not in the RRSPs, not to worry, I'm not deluded! We decided that Lauren would spend the remainder of her tax refund on a spa getaway with her girlfriend (fun!). The money she earned in her tax refund allowed Lauren to relieve some everyday stress, help her mother, plan for her retirement, and purchase her a weekend filled with cucumber sandwiches (they may not be the most filling, but when eaten in fuzzy robes while laughing with a friend, those sandwiches would do wonders for lifting Lauren's spirits).

### **Choo-Choo Choose Fun**

Clearly, not everyone has the same definition of fun. When it comes to tax refunds, I like to think of

fun as increasing your rewards, making your life a bit easier, and finding ways to enjoy the current moments.

To help guide you, I now present a list of “fun” ways to make the most of your tax refund:

- Use your tax refund to increase your RRSP contribution (This can help you earn another tax refund next year AND help support your quality of life during retirement. Remember, the fun train doesn't stop when you hit 65!)
- Use your refund to increase your cash flow (It is not fun to worry about debt or living expenses, and if spending part of your refund to pay down debt helps to increase your cash flow, that is likely to alleviate some of your stress and allow you to have fun when the opportunity presents itself.)
- Allot a portion of your tax refund to self-care (Yes, its okay to reward yourself. If you don't take care of yourself, you can't look after anyone else. Find the little things that lift your spirits and enjoy them to the fullest.)

At PenFinancial, we're here to help you assess your current situation and plan for your future. If you can afford a new bike, a trip across the country, or a lounge for your backyard, awesome! If you can afford to pay down a credit card and send your kids to camp this summer, cool! If you can afford to increase your monthly RRSP contribution and buy new saddlebags for your hog, sweet! If you can afford a trip to Niagara's SouthCoast to explore and enjoy the rewards your community has to offer, amazing! Let the fun begin!

Whatever you get back from the government, [we can help you](#) make the most of it and help you see the value in it all – no matter what Fun Train you choo-choo choose to climb aboard.

How have you spent your tax refunds in the past? Any mistakes you've learned from? Any stellar advice you've received? Share your stories. Don't be shy -- I love hearing how people make the most of what they have!