Banking & Finance

Six Ways to Use Your Tax Refund Wisely

Average U.S. taxpayer receives nearly $3,000 refund

According to the Internal Revenue Service, the nation's taxpayers received an average tax refund of nearly $3,000 in 2016 and will receive a similar amount this year. With more than 70 percent of tax payers receiving a refund this year, the American Bankers Association has highlighted six tips to help them use their windfall wisely.

"Tax season is the perfect time to take stock of your finances and figure out where you are with your financial goals," said Corey Carlisle, executive director of the ABA Foundation. "Try to avoid the temptation of using all of your refund for big ticket purchases. Your refund is ideal for paying off debt that's weighing you down or saving for expensive emergencies that arise when you least expect them."

To help consumers make the most out of their money, ABA has highlighted the following tips:

Save for emergencies. Open or add to a high-yield savings account that serves as an "emergency fund." Ideally, it should hold about three-to-six months of living expenses in case of sudden financial hardships like losing your job or having to replace your car.

Pay off debt. Pay down existing balances either by chipping away at loans with the highest interest rates or eliminating smaller debt first.

Save for retirement or your child's education. Open or increase contributions to a tax-deferred savings plan like a 401(k) or an IRA. Your bank can help set up an IRA, while a 401(k) is employer-sponsored. Or invest in a tax-advantaged 529 education savings plan to ensure school expenses will be covered when your child reaches college age.

Pay down your mortgage. Make an extra mortgage payment each year to save money on interest while reducing the term of your loan. Be sure to inform your lender that your extra payments should be applied to principal, not interest.

Invest in your current home. Use your refund to invest in home improvements that will pay you back in the long run by increasing the value of your home. This can include small, cost-effective upgrades like energy-efficient appliances that will pay off in both the short and long term – and with future tax credits. If you have more substantial renovations in mind, your bank can help with a home equity line of credit.

Donate to charity. The benefit is two-fold: Giving to charity will make a difference in your community, and you can also claim the tax deduction.

ABA also stressed the importance of low-income workers filing a tax return—even if their incomes are too low to trigger any federal tax liability—in order to claim the Earned Income Tax Credit (EITC). Depending on a recipient's income, marital status and number of children, the EITC can result in a refund of up to $6,269 to help them achieve financial goals.

For more tips and resources on a variety of personal finance topics such as mortgages, credit cards, protecting your identity and saving for college, visit aba.com/Consumers.

SIX TIPS FOR SPRING CLEANING YOUR FINANCES

As spring cleaning season is well underway, the American Bankers Association is encouraging consumers to put a priority on organizing their finances. ABA has highlighted six tips for getting your financial house in order.

"With the tax season ending, spring is a great time to take a close look at your budget and bank account," said Corey Carlisle, executive director of the ABA Foundation. "You'll have a clear picture of your financial situation, and you can make stress-reducing moves now that will pay dividends throughout the year."

ABA recommends these six tips to help consumers organize their finances:

Evaluate and pay down debt. Take a look at how much you owe and what you are paying in interest. Begin paying off existing debt, whether that's by chipping away at loans with the highest interest rates or eliminating smaller debt first.

Review your budget. A lot can change in a year. If you've been promoted, had a child, or become a new homeowner or renter, be sure to update your budget. Determine what expenses demand the most money and identify areas where you can realistically cut back. Develop a strategy for spending and saving – and stick to it.

Check your credit report. Every year, you are guaranteed one free credit report from each of the three credit bureaus. Take advantage of these free reports and check them for any possible errors. Mistakes can drag down your score and prevent you from getting a loan, or cause you to pay a higher than necessary interest rate.

Download your bank's mobile app. From the palm of your hand, you can make a deposit or access a record of all your recent transactions. Be sure to download the latest updates when they are available.

Sign up for e-statements, paperless billing and text alerts. Converting to paperless billing will help keep your house—physical and financial—more clean and organized, and will help protect you from fraud.

Set up automatic bill pay. By signing up for automatic bill pay, you'll never have to worry about a missed payment impacting your credit score. You can set it so that money is withdrawn from your checking account on the same day each month.

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Bank Economists See Tighter Labor Market Driving Wages Higher

The U.S. economy will grow steadily through next year, creating more jobs and higher wages, according to the Economic Advisory Committee of the American Bankers Association. The group forecasts inflation-adjusted GDP growth of 2.1 percent this year and 2.3 percent in 2018, up from 2.0 percent last year. Moreover, the economists believe that growth could be even stronger depending upon the magnitude and timing of any fiscal stimulus.

The committee, which includes 17 chief economists from among the largest North American banks, sees the unemployment rate holding near its current level of 4.6 percent through this year and dipping lower, to 4.5 percent, in 2018.

"The economy has been growing for seven years and should continue to grow moderately over the next two years," said Christopher Probyn, chairman of the group and managing director and chief economist of State Street Global Advisors.

The group expects the economy to add 1.9 million jobs this year, the same as last year. Into 2018, the group sees the economy adding another 1.8 million jobs, with competition for workers fostering wage pressures. The economists expect hourly wages to rise by 2.7 percent in 2017, the fastest pace in eight years.

The committee expects consumer spending, housing and business investment will support economic progress. However, relatively weak global demand and a strong dollar are expected to temper economic growth.

According to the group, housing starts will pick up from 1.2 million this year to 1.3 million next year despite higher mortgage rates. Even with those higher rates, rising home values and a strong labor market are expected to push residential investment up 4.0 percent this year and 3.2 percent next year.

"All of the major sectors – from housing to business investment to consumer spending – are working together to support the growth of jobs and the economy," Probyn said. "Consumers feel more confident because the labor market is improving, wages are rising, home values are appreciating and investment returns are increasing. It makes them more comfortable buying cars, going on vacations and making other big-ticket purchases."

However, there is an unusual degree of uncertainty to the committee's outlook given the lack of specificity about the evolution of fiscal and trade policy.

"Cuts in personal and business taxes, along with more spending on infrastructure under the new administration, may push economic growth higher over the next two years, but given that the economy is at or close to full employment, also raise inflation and longer-term bond yields," Probyn said. "These forces could be stronger if the fiscal stimulus comes early or is more substantial than expected."

The group expects the Federal Reserve to raise its federal funds target range two times over the course of this year, from 0.50-0.75 percent to 1.00-1.25 percent by year-end, and three more times next year, to 1.75-2.00 percent. However, the Fed could go faster under certain conditions.

"The combination of fiscal stimulus, faster growth and accelerating inflation could lead the Fed to move more aggressively than anticipated," said Probyn.

The committee foresees rising labor costs and oil prices driving consumer price inflation up from 1.5 percent last year to 2.2 percent this year.

The outlook for Fed tightening and rising inflation will push interest rates gradually higher through 2018, according to the committee. Two-year Treasury yields are seen going from 1.2 percent at present to 2.1 percent at the end of 2018, with ten-year Treasuries rising from 2.5 percent to 3.1 percent and mortgage rates from 4.2 percent to 4.9 percent.

The committee sees sustained strength in the quality and availability of bank loans. Delinquency and charge-off rates will remain near historical lows. Consumer bank and business credit are both expected to grow 7.2 percent this year and 6.0 percent next year.

"Banks are in an excellent position to support continued expansion," Probyn said.

Seven Tips to Help Seniors Live at Home Longer

According to the U.S. Census Bureau, approximately 80 percent of individuals age 65 or older own their home. A Georgetown University survey found that a vast majority of these older Americans wish to remain in their homes as they age. In recognition of American Housing Month, the American Bankers Association Foundation is providing older homeowners with seven tips to help them prepare to "age in place."

"Older Americans make up the largest share of homeowners in the country," said Corey Carlisle, executive director of the ABA Foundation. "In order for them to stay in their homes as they age, families and caregivers must plan ahead to ensure the elderly have all the resources they need to be safe, independent and financially secure."

The ABA Foundation suggests these tips to help seniors "age in place:"

Take a hard look at your finances. Arrange a meeting with a trusted family member or friend and a banker. It's critical to understand your financial resources, how long they'll last and what housing options are the most cost effective for you. Be sure to consider all costs associated with aging in place, including:

- Home modifications
- Transportation to medical appointments, shopping and other errands
- In home caregiver for house upkeep and medical purposes

Carefully consider a reverse mortgage. Though not for everyone, a reverse mortgage loan can provide monthly cash payments based on your home's equity.

- Shop around. Be sure to check with multiple lenders. You can use sites like www.reverse-mortage.org, sponsored by the National Reverse Mortgage Lenders Association, to find lenders in your area.
- Make sure to read all loan documents carefully. There are a number of actions that could cause the loan to become due. It is imperative the borrower continues to live in the home, pay property taxes and homeowners insurance, and keep the home in good repair.
- The U.S. Department of Housing and Urban Development requires counseling for any borrower taking out a reverse mortgage. Find an approved reserve mortgage counseling agency by visiting www.hud.gov.
- For more information on reverse mortgages, visit aba.com/consumers.

Assess your home and determine what modifications are necessary. While staying in your home is preferable for many, there are often design changes that must be made to ensure it's also safe and comfortable.

- Make sure there is at least one step-free entrance to your home.
- Update lighting inside and outside of the house so that all walkways and stairs are well lit. Clear pathways throughout house and firmly secure all carpets to the floor to prevent tripping.
- If a bedroom and bathroom does not or cannot exist on the first floor, consider installing an elevator or chairlift. At a minimum, make sure you have handrails on both sides of your stairs.
- Install grab bars in the bathtub, shower, or near the toilet.
- For more information about suggested home modifications as you age, visit www.cdc.gov/homeandrecreationalsafety.

Make security a priority. Older Americans are often targets for scams and other criminal behavior. Be cautious about who you allow in your home and disclose sensitive information to.

- Install up to date and easy to use locks. Make sure your front door has a peep hole or a security monitor so you can see who is outside.
- Consult someone you trust when hiring a contractor, financial advisor, etc.

Look into community resources. If mobility is limited, look in to services offered in your area. Many communities have established non-profit programs that offer transportation and food delivery to assist older Americans at a reasonable cost.

Be prepared for possible emergencies.

- Keep a list of all emergency contacts on your refrigerator or by a phone.
- Falls are leading causes of injuries for the elderly. Talk to your healthcare provider and find a balance and exercise program that's right for you.
- Have your address number visible from the street so emergency responders can easily identify your home.

Reevaluate every six months to make sure all needs are being met. As you age, your needs inevitably change. Take time twice a year, or as needed, to sit down with your trusted family or friend and make sure your current living situation is still the right one.

For more information on American Housing Month, visit aba.com/housing.

Information for this article was provided by the American Bankers Association.

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Eight Tips to Protect Your Identity

Every year, millions of consumers become victims of identity theft. According to the Bureau of Justice Statistics, an estimated 17.6 million U.S. residents experienced the misuse of their personal information in 2014, up from 16.6 million victims in 2012. In recognition of National Cybersecurity Awareness Month, the American Bankers Association is offering eight tips to help consumers protect their personal information from identity thieves.

"Fraudsters can use your personal information to conduct a variety of illegitimate transactions, such as opening bogus accounts, filing tax returns and getting access to medical care," said Doug Johnson, ABA's senior vice president of payments and cybersecurity policy. "As a result, consumers are urged to safeguard their personal information before it gets into the wrong hands."

ABA offers the following tips to help consumers protect themselves from becoming a victim of identity theft:

DON'T SHARE YOUR SECRETS

Don't provide your Social Security number or account information to anyone who contacts you online or over the phone. Protect your PINs and passwords and do not share them with anyone. Use a combination of letters and numbers for your passwords and change them periodically. Do not reveal sensitive or personal information on social networking sites.

SHRED SENSITIVE PAPERS

Shred receipts, bank statements and unused credit card offers before throwing them away.

KEEP AN EYE OUT FOR MISSING MAIL

Fraudsters look for monthly bank or credit card statements or other mail containing your financial information. Consider enrolling in online banking to reduce the likelihood of paper statements being stolen. Also, don't mail bills from your own mailbox with the flag up.

USE ONLINE BANKING TO PROTECT YOURSELF

Monitor your financial accounts regularly for fraudulent transactions. Sign up for text or email alerts from your bank for certain types of transactions, such as online purchases or transactions of more than $500.

MONITOR YOUR CREDIT REPORT

Order a free copy of your credit report every four months from one of the three credit reporting agencies at annualcreditreport.com.

PROTECT YOUR COMPUTER

Make sure the virus protection software on your computer is active and up to date. When conducting business online, make sure your browser's padlock or key icon is active. Also look for an "s" after the "http" to be sure the website is secure.

PROTECT YOUR MOBILE DEVICE

Use the passcode lock on your smartphone and other devices. This will make it more difficult for thieves to access your information if your device is lost or stolen. Before you donate, sell or trade your mobile device, be sure to wipe it using specialized software or using the manufacturer's recommended technique. Some software allows you to wipe your device remotely if it is lost or stolen. Use caution when downloading apps, as they may contain malware and avoid opening links and attachments – especially for senders you don't know.

REPORT ANY SUSPECTED FRAUD TO YOUR BANK IMMEDIATELY.

The American Bankers Association is the voice of the nation's $16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.

Shred receipts, bank statements and unused credit card offers before throwing them away.

HOW TO KEEP YOUR MONEY FROM SLIPPING AWAY

As with virtually all financial matters, the easiest way to be successful with a cash management program is to develop a systematic and disciplined approach.

By spending a few minutes each week to maintain your cash management program, you not only have the opportunity to enhance your current financial position, but you can save yourself some money in tax preparation, time, and fees.

Any good cash management system revolves around the four As — Accounting, Analysis, Allocation, and Adjustment.

Accounting quite simply involves gathering all your relevant financial information together and keeping it close at hand for future reference. Gathering all your financial information — such as mortgage payments, credit card statements, and auto loans — and listing it systematically will give you a clear picture of your overall situation.

Analysis boils down to reviewing the situation once you have accounted for all your income and expenses. You will almost invariably find yourself with either a shortfall or a surplus. One of the key elements in analyzing your financial situation is to look for ways to reduce your expenses. This can help to free up cash that can either be invested for the long term or used to pay off fixed debt.

For example, if you were to reduce restaurant expenses or spending on non-essential personal items by $100 per month, you could use this extra money to prepay the principal on your mortgage. On a $130,000 30-year mortgage, this extra $100 per month could enable you to pay it off 10 years early and save you thousands of dollars in interest payments.

Allocation involves determining your financial commitments and priorities and distributing your income accordingly. One of the most important factors in allocation is to distinguish between your real needs and your wants. For example, you may want a new home entertainment center, but your real need may be to reduce outstanding credit card debt.

Adjustment involves reviewing your income and expenses periodically and making the changes that your situation demands. For example, as a new parent, you might be wise to shift some assets in order to start a college education fund for your child.

Using the four As is an excellent way to help you monitor your financial situation to ensure that you are on the right track to meet your long-term goals.

This material was written and prepared by Emerald.

Seven Ways to Protect Your Data Online

In recognition of National Data Privacy Day (earlier this year on January 28th), the American Bankers Association highlighted eight tips to help online users protect their data and guard against online threats.

"Cyber thieves are using social media profiles to gather personal information and use it to commit fraud," said Doug Johnson, ABA's senior vice president of payments and cybersecurity policy. "It's extremely important that consumers limit the amount of information they share online and stay away from using easily retrieved information — such as birthdates, pet's names or school mascots — as answers to security questions."

ABA is offering the following tips to help consumers safeguard their information online:

Keep your computers and mobile devices up to date. Having the latest security software, web browser, and operating system are the best defenses against viruses, malware, and other online threats. Turn on automatic updates so you receive the newest fixes as they become available.

Set strong passwords. A strong password is at least eight characters in length and includes a mix of upper and lowercase letters, numbers, and special characters.

Watch out for phishing scams. Phishing scams use fraudulent emails and websites to trick users into disclosing private account or login information. Do not click on links or open any attachments or pop-up screens from sources you are not familiar with. Forward phishing emails to the Federal Trade Commission (FTC) at spam@uce.gov – and to the company, bank, or organization impersonated in the email.

Keep personal information personal. Hackers can use social media profiles to figure out your passwords and answer those security questions in the password reset tools. Lock down your privacy settings and avoid posting things like birthdays, addresses, mother's maiden name, etc. Be wary of requests to connect from people you do not know.

Secure your internet connection. Always protect your home wireless network with a password. When connecting to public Wi-Fi networks, be cautious about what information you are sending over it.

Shop safely. Before shopping online, make sure the website uses secure technology. When you are at the checkout screen, verify that the web address begins with https. Also, check to see if a tiny locked padlock symbol appears on the page.

Read the site's privacy policies. Though long and complex, privacy policies tell you how the site protects the personal information it collects. If you don't see or understand a site's privacy policy, consider doing business elsewhere.

Data Privacy Day commemorates the 1981 signing of the first legally binding international treaty dealing with privacy and data protection. It is led by the National Cyber Security Alliance, a non-profit, public private partnership focused on cyber security education for all online citizens.

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The California Bankers Association and Beacon Economics Release California Banking Intelligence Report

Report reveals banking lending continues to exceed its previous record

The California Bankers Association (CBA) and Beacon Economics have released a ninth California banking report that examines important issues currently affecting California's banks and the overall economy. The report is authored by Chris Thornberg, Ph.D., founding partner at Beacon Economics. This report analyzes bank lending data for California through the first quarter of 2016, finding that banks exceeded previous record levels, as total outstanding loan value reached $937 billion in the first quarter of last year. Outstanding loans grew by 6.8% year-over-year in California, slightly less than the 7.3% growth throughout the U.S. Among the report's key findings:

• Outstanding construction loan value grew by 18.5%, primarily driven by a continuously strong year in the single-family residential market.

• Outstanding C&I loan value grew by 13.9%, showing ill effects from what is transpiring in the oil market.

• Loans to individuals, which includes credit cards and auto loans, grew the least over the year, yet have grown by 34% since the fourth quarter of 2013 – more than all categories except construction.

• Consumer loans, a category that includes credit card and auto loans, grew at almost 2.4% over the year, yet have grown 34.4% since the first quarter of 2014.

• The state's banks remain in good health. The loan delinquency rate has improved to 1.13% compared to 1.60% a year ago.

This report utilizes a unique database constructed by Beacon that provides a more holistic picture of lending in the state that includes both loans made by California-based banks, as well as an estimate of lending in the state made by financial institutions not headquartered in California. Beacon estimates that the volume of lending in California is much higher than the figures reported by the FDIC on California-based banks, as the nation's five largest banks are technically based outside of California and not included in the FDIC's analysis, but have a significant portion of their operations based in California.

Established 125 years ago, the California Bankers Association (CBA) is one of the largest state banking trade associations in the country. CBA leads the way in developing relevant legislative and educational solutions to some of California's more pressing financial and banking issues, including financial empowerment, identity theft, financial privacy, and financial elder abuse. CBA's membership includes the majority of California's commercial, industrial and community banks and savings associations. For more information, visit www.calbankers.com.

FIVE WAYS TO PROTECT YOUR SMALL BUSINESS FROM RANSOMWARE ATTACKS

Small businesses are becoming popular targets to a form of malware known as ransomware. Ransomware is used by cybercriminals to freeze your computer or mobile device, steal your data and demand a "ransom" — anywhere between a couple of hundreds to thousands of dollars — be paid.

Ransomware infiltrates enterprise networks and servers and individual laptops or computers, leading to the loss of critical information and data.

"Ransomware poses a great threat to small businesses because it has the power to wipe out and compromise their entire network," said Doug Johnson, ABA's senior vice president of payments and cybersecurity policy. "Businesses can minimize their exposure to these malicious threats by educating their frontline staff, limiting the use of privileged accounts and making sure all virus protection software is up to date."

In recognition of National Cybersecurity Awareness Month, ABA is offering small businesses these tips to help them thwart ransomware attacks:

• Educate your employees

Employees can serve as a first line of defense to combat online threats and can actively help stop malware from infiltrating the organization's system. A strong security program paired with employee education about the warning signs, safe practices, and responses aid tremendously in preventing these threats.

• Manage the use of privileged accounts

Restrict users' ability to install and run software applications on network devices, in an effort to limit your networks exposure to malware.

• Employ a data backup and recovery plan for all critical information

Backups are essential for lessening the impact of potential malware threats. Store the data in a separate device or offline in order to access it in the event of a ransomware attack.

• Make sure all business devices are up to date

Ensure antivirus and anti-malware solutions are set to automatically update and conduct regular scans so that your operating systems operate efficiently.

Contact your local FBI field office immediately to report a ransomware event and request assistance. Visit https://www.fbi.gov/contact-us/field to locate the office nearest you.

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Financial Traps New College Graduates Should Avoid

As college seniors across the nation graduate and start their careers, their financial lifestyle should be top of mind. ABA has highlighted six traps new college graduates should avoid to fortify their finances as they transition from the dorm to the office.

"Now is the time for college grads to get their financial life started on the right foot," said Corey Carlisle, executive director of the ABA Foundation. "When it comes to managing your finances in the real world, pulling an all-nighter isn't the best strategy. Forming positive financial habits today will set you up for lifelong success."

According to ABA, new college graduates should avoid the following financial traps:

Not having a budget. Don't spend more than you make. Calculate the amount of money you're taking home after taxes, then figure out how much money you can afford to spend each month while contributing to your savings. Be sure to factor in recurring expenses such as student loans, monthly rent, utilities, groceries, transportation expenses and car loans.

Forgoing an emergency fund. Make it a priority to set aside the equivalent of three to six months' worth of living expenses. Start putting some money away immediately, no matter how small the amount. A bank savings account is a smart place to stash your cash for a rainy day. Use your tax refund for this instead of an impulse buy.

Paying bills late – or not at all. Each missed payment can hurt your credit history for up to seven years, and can affect your ability to get loans, the interest rates you pay and your ability to get a job or rent an apartment. Consider setting up automatic payments for regular expenses like student loans, car payments and phone bills.

Racking up debt. Understand the responsibilities and benefits of credit. Shop around for a card that best suits your needs, and spend only what you can afford to pay back. Credit is a great tool, but only if you use it responsibly.

Not thinking about the future. It may seem odd since you're just beginning your career, but now is the best time to start planning for your retirement. Contribute to your employer's 401(k) or similar account, especially if there is a company match. Invest enough to qualify for your company's full match – it's free money that adds up to a significant chunk of change over the years.

Ignoring help from your bank. Most banks offer online, mobile and text banking tools to manage your account night and day. Use these tools to check balances, pay bills, deposit checks, monitor transaction history and track budgets.

For more tips and resources on a variety of personal finance topics such as mortgages, credit cards, protecting your identity and saving for college, visit aba.com/Consumers.