Six Ways to Use Your Tax Refund Wisely

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 expenses that arise when you least expect them.”

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

1. **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.
2. **Pay off debt.** Pay down existing balances either by chipping away at loans with the highest interest rates or eliminating smaller debt first.
3. **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, or invest in a tax-advantaged 529 education savings plan to ensure school expenses are covered when your child reaches college age.
4. **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.
5. **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.
6. **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 $6,669 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.

1. **Review your budget.** A lot can change in a year. If you’ve been promoted, had a child, or became 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.
2. **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.
3. **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 up that money is withdrawn from your checking account on the same day each month.
4. **Sign up for e-statements, paperless billing and text alerts.** Checking your paper bills can be time consuming and even cause you to forget one. Converting to paperless billing will help keep your house—physical and financial—more clean and organized, and will help protect you from fraud.
5. **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.
6. **Update your contact information.** If you have moved, changed jobs or added or removed a beneficiary, be sure to download the latest updates when they are available.
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.

"Older Americans make up the largest share of homeowners with at least 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 up 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 homes equity.

• Shop around. Be sure to check with multiple lenders. You can use sites like reversemortgage.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.
• Look into community resources. The U.S. Department of Housing and Urban Development requires counseling for any borrower taking out a reverse mortgage. Find an approved reverse 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 family 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. An alternative is to 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 agencies that offer transportation services. The transportation service can 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.
• Fall 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 as 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.

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.”

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 3.2 percent this year and 6.0 percent next year.

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

SHRED RECEIPTS, bank statements and unused credit card offers before throwing them away.

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 secure is with a cash management program 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 helps down to removing 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 bad debt.

For example, if you were to reduce restaurant expenses or spending on unnecessary personal items by $100 per month, you could use this extra money to prepay the principal on your mortgage. On a $310,000, 30-year mortgage, this extra $100 per month could enable you to pay off 10 years early and save you thousands of dollars in interest payments.

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.

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 about themselves that they voluntarily give away from easily retrieved information — such as birthdays, pet’s names or school mascots — to anyone who asks for that information.”

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 a mix of upper and lowercase letters, numbers, and special characters.

Catch phishing scams.

Fraudsters use phishing scams to trick users into disclosing 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@ftc.gov and to the company, bank, or organization impersonated in the email.

Watch out for phishing scams.

Fraudsters use phishing scams to trick users into disclosing 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@ftc.gov and to the company, bank, or organization impersonated in the email.

Keep your 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 birthdate, 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 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 website is secure. Look for an “s” after the “http” to be sure the website is secure.

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.
Financial Traps New College Graduates Should Avoid

A college career across the nation graduate, planning their financial lifestyle should be top of mind. ABA has highlighted six traps new college graduates should avoiding fulfilling their finances as they transition from the dorm to the office. “Now is the time for college goals to get your financial life started on the right foot,” said Corey Carlisle, executive director of the ABA Foundation. “Put them to managing their money and time, planning for the right investments and saving for the future.”

ABA has identified the following financial traps:

- Not having a budget. Don’t spend more than you need. Create a budget that is specific to your needs and goals.
- 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 a job or rent an apartment. Consider setting up automatic payments for regular expenses to avoid late fees.
- Forging an emergency fund. Make 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 choice to use as a rainy day fund. Use your tax refund for this instead of an impulsive buy.
- 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, if you can afford to save.
- Not understanding the terms of your credit card. Credit is a great tool, but only if you use it responsibly.
- 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.