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Your tax return – resist the urge to splurge

As Aussies farewell another financial year and start lodging tax returns, Suncorp Bank is warning those lucky enough to receive a refund to resist the urge to splurge and invest it wisely.

Suncorp Bank Executive Manager Deposits and Transactions Craig Fenwick said investing the average tax return of almost \$2500 now could pay off in the long term.

“Many people consider a tax refund a bonus and get excited about the extra cash heading their way,” Mr Fenwick said.

“While it’s tempting to use your tax refund to splurge on little luxuries like a new television or a weekend away, the smartest option is to view your tax return as a financial boost that can work hard for you and ultimately help you reach your long-term financial goals.”

Suncorp Bank has developed five top tips to help you make the most of your tax return.

1. Pay off your debts.

Using your return to reduce the balance of a debt will cut down on the amount of interest you pay each month and save you money. Start by paying your highest interest debts, such as credit cards and car loans, first.

2. Deposit into your mortgage.

If you have a home loan, it’s well worth using your tax return to make an extra payment. For instance, depositing a \$2500 tax return as a lump sum into an average \$300,000 mortgage can reduce a 30-year loan by approximately nine months and save a mortgage holder almost \$16,000.¹

3. Set up a high interest savings account or a term deposit.

An online savings account, such as the Suncorp Bank eOptions account, currently offers a flexiRate of 5.30 per cent p.a., while a Suncorp Bank term deposit pays 2.8 per cent p.a. interest for 60 months.²

4. Contribute to your super.

Deposit extra funds into your superannuation and reap the financial rewards when you reach retirement. For example, a 25-year-old making a lump sum payment of \$2500 into a superannuation account could boost their retirement balance by nearly \$30,000.³

5. Invest in yourself.

Take a course, or enrol in a second degree or postgraduate study. The long-term financial gains may be more difficult to measure, but one of the best investments you can make is improving your skills and qualifications.

“Ultimately, the choices we make today will determine whether we reach our long-term financial goals,” Mr Fenwick said.

For more information on managing your savings visit www.suncorpbank.com.au.

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¹ Figures based on an interest rate of 6.88% p.a. (Lump sum payment made on the sixth month of the mortgage).

² Interest rate effective 4 May 2012 (flexiRates) and 19 June 2012 (Term Deposits).

³ Figures based on gross annual returns of 7.50% p.a. reinvested. No allowances have been made for inflation, personal taxation, fees or expenses. Based on a retirement age of 65.

