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# DiVirgilio financial group

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## Use your tax refund to get a grip on credit card debt

Using your income tax refund to pay down credit card debt could help you get back on track, financially.

One in 5 taxpayers expects to put tax refund cash toward a debt, and 28 percent will use the proceeds to pay bills, according to a new survey from TD Bank. A quarter of respondents said outstanding debt was their biggest hurdle to saving a tax refund. The bank polled 1,213 taxpayers in early March.

It's no surprise that credit card debt is a concern: New data from the National Foundation for Credit Counseling found that 39 percent of households are carrying a card balance from month to month — and 16 percent are rolling over $2,500 or more. Last year, those figures were 35 percent and 14 percent, respectively.

At the end of 2016, the average household carrying card debt owed $16,748, according to a NerdWallet analysis of Federal Reserve data.

The average income tax refund — $2,860 for tax year 2015, according to the Internal Revenue Service — could be a big help in staying on top of those bills.

"Paying down debt should be your No. 1 priority," said Odysseas Papadimitriou, chief executive of comparison site WalletHub.com.

To determine which credit card balance should take priority, make a list of what you owe, detailing balances and interest rates. Then pick a strategy.

Some consumers prefer to focus the highest-rate debt first (aka, the avalanche method); others knock out the smallest balance first (aka the snowball method), said Greg McBride, chief financial analyst at Bankrate.com. The former saves you more in interest, while the latter can free up money in your budget to roll into paying down other debts.

Factor in any interest-free balance transfer or other promotional offers, and when they end, said Papadimitriou. Although that's technically your lowest-rate debt, it may be a more pressing priority if you'll soon have a much higher rate.

"In reality you may have paid off the wrong credit card," he said.

Consumers using their tax refund to pay down credit card debt should also look for ways to improve their cash flow, said Andrea Blackwelder, a certified financial planner and a co-founder of Wisdom Wealth Strategies in Denver. Take a hard look at your budget and spending habits to avoid finding yourself in the same situation next year.

Consider adjusting your withholding to reduce your tax-time refund and keep more in your paycheck year-round, she said. That might help you avoid new debt and keep on track with paying down old debt.

"Part of what you have to focus on is how did I get there and how do I keep it from happening again?" she said.

Source: http://www.cnbc.com/2017/03/31/use-your-tax-refund-to-get-a-grip-on-credit-card-debt.html

# Here's what to do with your 401k when you switch jobs

Changing jobs is exciting, but there are some practical things you'll have to deal with … like what to do with your old 401(k) plan.

**1. You can leave the money in your old 401(k) plan**

There may be a minimum balance required to leave your money with your old company, but most companies will let you do it. That said, there are a few downsides of keeping your 401(k) where it is: One, you can no longer contribute to it, and two, you'll have multiple 401(k) plans floating around. Plus, "if your old company gets bought or switches 401(k) providers, now you don't know your login information or your account number and it can be a pain to figure out."

Leaving your funds with your previous employer is "definitely an option," he says, "but typically, the downsides mean it's not the *best* option."

**2. You can roll over your 401(k) to your new employer's plan**

If your new employer accepts rollovers, "this is a good option if you like the investment choices and the fees aren't too high," Holeman tells CNBC. "This way, your money will all be in one account and it'll be easier to manage."

If you aren't happy with the investment options offered by the new plan, or the **fees are too high**, you have a third option.

**3. You can roll over your 401(k) to an individual retirement account (IRA)**

Your third option is to move your 401(k) into an IRA or Roth IRA, which is a great option because IRAs "typically have lower fees and more investment choices," Holeman explains.

"They're both retirement accounts — you just get to pick when you pay the taxes," says Holeman of the difference between a traditional IRA and Roth IRA. With a traditional IRA, you contribute pre-tax dollars and let that money grow tax-deferred over time. You'll pay taxes on your contributions (and investment gains) only when you withdraw the money, which you can do starting at age 59 1/2. If you withdraw before then, you'll have to pay a penalty fee.

With a Roth IRA, contributions are taxed when they're made, so you can withdraw the contributions and earnings tax-free once you reach age 59 1/2. There *is* an income cap on the Roth IRA: In 2017, only married people earning less than $186,000, or single people earning less than $118,000, are allowed to make the maximum yearly contribution of $5,500 (or $6,500 for people aged 50 or older).

"Once you know what your options are and what makes sense for you to do from an investment and fee perspective, then you actually have to execute the rollover," says Holeman.

**How to move your money**

You have two options when it comes to rolling over your money: a direct rollover or an indirect rollover. Holeman recommends doing a direct rollover: "When you do an indirect rollover, you're the one handling the money, so the 401(k) provider will write you a check and then it's up to you to actually deposit it into the new account.

"There's just more that can go wrong, so I typically recommend doing a direct rollover and let the companies handle it." With a direct rollover, your 401(k) funds move straight to your new account and the money never passes through your hands. "You just have to fill out a form, sign it, and the rest is pretty much out of your control," says Holeman.

**A few other things to keep in mind:**

--When switching jobs, you never want to withdraw your 401(k)'s balance instead of moving it. Cashing out before age 59 ½ incurs a 10% early withdrawal penalty. Plus, you'd be reducing your own retirement money.

Source: http://www.msn.com/en-us/money/mutualfunds/heres-what-to-do-with-your-401k-when-you-switch-jobs/ar-BBz3TIC

## CEO CORNER—*Brian Thomas & Matt DiVirgilio*

Dear Valued Clients,

Finally, Spring is here! With the weather a bit warmer and the snow gone now is the perfect time of year to set up an appointment to go over your accounts. We welcome you to give us a call at any time with your questions, concerns, or to schedule some time to meet with us.

Also to all our home and auto clients feel free to give us a call when your policy is close to renewal, our agents now have access to several new carriers and would be happy to shop around for you!

We here at DFG want you to make the most of this time of year. Let us know if we can be of any assistance in the days ahead and enjoy the warmer weather, you deserve it.

Sincerely,


**Office Hours:**
**Monday-Thursday**
**8:30a—4:30p**
**Friday**
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