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Tax Time 2020

Yahoo Finance's tax coverage, all in one place. We've got you covered. Here's everything you need to know this tax season.



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Experts reveal the best way to spend your tax return this year

Jessica Yun Yahoo Finance AU 3 July 2020 Follow



How should you spend your tax refund this year? (Source: Getty)

The best part of tax-time paperwork is looking forward to the small windfall you might receive after you lodge your tax return.

But this year, Aussies are feeling the pinch as the coronavirus crisis saw jobs lost and fewer hours worked.

So what's the best way to spend the money you're getting back from the tax man this year?

- **Also read:** [Everything you need to know for tax time 2020](#)
- **Also read:** [ATO warns against lodging tax returns too early: Here's when to lodge](#)
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Jessica Brady

Save 50 per cent (minimum): If Covid-19 has taught us anything it's that we don't know what's around the corner so boost your savings, pay down debt or think about investing (either in super or in your personal name).

Invest in yourself (30 per cent): Many Australians are now thinking through what next career wise. Your greatest asset is you, so look at courses, start-up ideas that will help you increase your income for the long term.

Spend on something that is important to you (20 per cent): A good financial strategy isn't about spending nothing, but it's about making sure any purchases you make are meaningful and important to you.

With social media and marketers galore telling you that you need everything make sure you spend your hard-earned cash (yes it's a tax return, but you worked for it) so make sure it's a sound, quality purchase that will make you happy after the serotonin from your new purchase buzz has long but faded.



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If you've got some tax refund left after doing the smart things the other advisers would recommend, then spend in a way that gets the most bang for your buck.

Spending money on shared and shareable experiences provide the most joy per dollar, according to research on money and happiness.

You get the most buzz by planning in advance (anticipation), doing the experience with loved ones, telling the relatable story to others and then again by reliving the experience through photos and memories.

A holiday is a common example, but if your tax refund doesn't stretch that far, an activity like ice skating or bowling works. One school holidays, my kids and I booked a buffet breakfast at a fancy hotel and we still 'dine out' on that memory.

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I know the sage advice as to what to do with a tax refund is pay off your most expensive debt, be that a credit or store card or a car or personal loan. But, hey, we've been in lockdown for months and haven't spent much on dining out

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our custom and will be offering never before seen deals to attract our custom.

So, why not spend that windfall on a domestic holiday? Your money will never go as far again and you'll be benefiting yourself and the economy.

One other word of advice; if you have a sizeable refund, that simply means you paid too much tax during the year.

Now, while getting a refund is nice, the ATO doesn't pay interest on the money of yours they've had. So my advice is to figure out why you paid too much tax in the first place and make sure you don't repeat the mistake in the next tax year.

It's your money, so, instead of lending it to the tax man interest free to then have to beg for it back, hang onto it yourself. Any finance professional can show you how.

A final word of caution; don't overdo it. You don't want a tax bill this time next year!

[5 best apps to help with your 2020 Australian return](#)

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Flip the 80/20 rule: WLM Financial Services director Laura Menschik

I'd suggest the '80/20' or Pareto rule. In the 80/20 rule, you prioritise the 20 per cent of factors that will produce the best results.

In the event of a tax refund, I would reverse this rule so that 80 per cent is used for good financial decisions, such as paying off credit cards or topping up super. I would then suggest that 20 per cent be used for something fun and immediately rewarding, such as a weekend away, a special meal out, a new outfit or a special present for someone who deserves recognition.

If you want to find another purpose with the 20 per cent, or even the whole 100 per cent, give it to your favourite charity and help others who are not as fortunate, especially in these trying times. Donating to charity can be a major mood-booster.

The knowledge that you're helping others is hugely empowering and, in turn, can make you feel happier and more fulfilled. Plus, the donation is tax deductible for the new financial year.

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If you've been thinking about renovations, now could be your time. The federal government has released [grants of up to](#)

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are highly volatile. And while COVID-19 may have settled somewhat in Australia, it's still a real problem overseas.

This means markets are in for an interesting time, so seek good advice.

Just treat yourself: Non-aligned financial adviser James Gerrard

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The last couple of months have been extremely difficult for millions of Australians dealing with job losses and restriction to their lifestyle with the coronavirus.

Maintaining good mental health is very important so maybe this year is the year to be a bit indulgent with your tax refund. Buy yourself something in the July sales, have a nice dinner with a loved one or spend a few nights away for a break.

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Disclaimer: This is general advice only and should not be considered tailored financial advice to your circumstances.

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