

How will you use your tax refund? If you receive one...

Cambridge consumer credit index reported tax refund expectations

[Zdravka Todorova](#) Apr. 19 . 2004

Sixty eight percent of those who have received or anticipate receiving a tax refund this tax season reported planning spending it on everyday items or to pay bills, says Cambridge Consumer Credit Index press release. This percentage is up from 59% in 2003.

Only 4% plan to invest their refunds in stocks, bonds or mutual funds (unchanged from 2003), while 23% plan to save their refunds in their bank accounts (down from 27% in 2003).

Have you or do you expect to receive a tax refund this year or do you expect to owe money when filling your taxes this year?

	<u>April 2004</u>	<u>April 2003</u>	<u>April 2002</u>
Receive a refund	69%	66%	69%
Will owe money	18%	21%	21%
Don't pay taxes	14%	13%	10%

What do you expect to do with your refund money?

	<u>April 2004</u>	<u>April 2003</u>	<u>April 2002</u>
Save it in a bank account	23%	27%	23%
Invest it in stocks, bonds or mutual funds	4%	4%	5%
Use it for everyday purchases or to pay bills	68%	59%	62%
Other	6%	10%	10%

The increased percentage of those planning to spend their refunds could be interpreted by some as a sign for a future increase in sales and firms' receipts, and thus a sign of confidence. Instead, this could be troublesome news indicating that consumers cannot afford to save and invest because they have difficulties meeting immediate consumption needs, and covering past bills.

This interpretation is supported by the reportedly bigger percentage of lower income respondents who need to use refunds to pay "hand-to-mouth" expenses.

Percent respondents reporting that they intend to spend their tax refunds for everyday purchases or bills - by income group

Income	2004	2003
Under \$25K	77	69
\$25K to \$49.9K	69	61
\$50K to \$74.9K	62	52

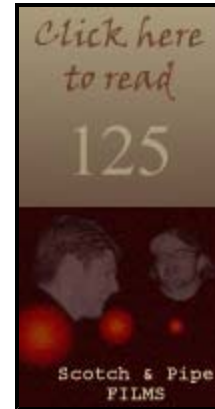


Over \$75K	62	54
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Using refunds to pay for necessary expenses and past bills does not indicate much discretion in tax refunds usage among the low-income groups. In addition, more blacks than whites, and more rural than urban consumers are expecting to use refunds to pay for everyday purchases and bills, says the Cambridge Consumer Credit Index press release.

For more information visit:

www.cambridgeconsumerindex.com



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