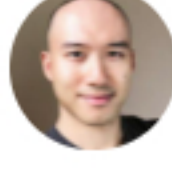


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# Survey: Most Americans Plan to Save Their Tax Refunds in 2021

A MyBankTracker survey looks at how American intend to use their tax refund during the 2021 tax season – a time still filled with financial uncertainty.



By Simon Zhen Updated: Mar 24, 2021



The 2021 tax season is likely to stand out from previous years as many Americans might need their tax refunds more than ever.

According to a recent MyBankTracker survey, Americans are most likely to put this year's tax refunds into savings, which may not come as a surprise. With financial uncertainty still looming around the pandemic, a bigger cash buffer makes plenty of sense.

Here are the other highlights of the survey:

## Highlights

- Building savings was the most popular intended use (19.0 percent) of a tax refund for the 2021 tax season
- Men were more likely to invest the tax refund or spend it on something fun
- Women were more likely to save the tax refund, use it pay off debt, or a household expense
- The middle age groups (ages 35-44 and 44-54) chose "Other" as the most popular use for their tax refunds while all other age groups chose "Savings" as their most popular use of that money
- Respondents age 25-34 were the most likely to invest their tax refunds or spend it on something fun

### How do you plan to use most of your tax refund?

Intended use	Percentage of respondents
Put it into savings	19.00%
Invest it	4.30%
Pay off existing debt	14.20%
Use it on a household expense	8.10%
Something fun (ex. trip, goods, meals, etc.)	2.80%
Other	16.90%
Not expecting a tax refund	34.70%

## Best Ways to Use Your Tax Refund



As the COVID-19 pandemic continues to have an impact on the U.S. economy, Americans have to use their tax refunds wisely to in case of financial emergencies.

For many, 2020 was not some sort of financial stress test, it was a true emergency. So, we recommend putting the tax refund for tax year 2020 toward increased financial security.

### Create the Biggest Emergency Fund You've Ever Had

A larger emergency fund to **cover 12 or more months of living expenses** makes more sense than ever.

Typically, the standard advice is to maintain an emergency fund of 3 to 6 months worth of living expenses (i.e., necessities such as housing, utilities, and food). This is usually enough to keep you afloat while searching for a new source of income.

An emergency fund should be the financial backstop for everyone. It is designed to pay for essential living expenses in the event that you lose your income.

### Invest Safely

Despite the economic blow from the pandemic, the stock market has performed surprisingly well in the past year. Historically, the stock market has averaged a positive return that beats out even the best savings accounts.

However, it's important to take a diversified approach instead of buying specific stocks. Generally, index funds and target-date funds are the simplest options to establish a diversified portfolio instantly.

### Pay Off Debt and Expenses (Selectively)

For those who carry high-interest debt (such as credit card debt), paying down that balance can lead to major savings in the long run.

But, many banks and lenders offered deferrals and hardship programs to delay the repayment of many types of loans, including mortgages, student loans, and credit debt. Even utilities providers are allowing deferred payments without penalties or cutting out service.

So, if you cannot qualify for such deferral programs, you may consider using your tax refund to reduce any outstanding balances. For example, a tax refund could go towards any owed rent.

## Methodology

The study was conducted through Google Surveys on behalf of MyBankTracker from March 4, 2021 to March 21, 2021 with 3,589 respondents in the United States of ages 18 and up with a standard deviation of 4.7%.

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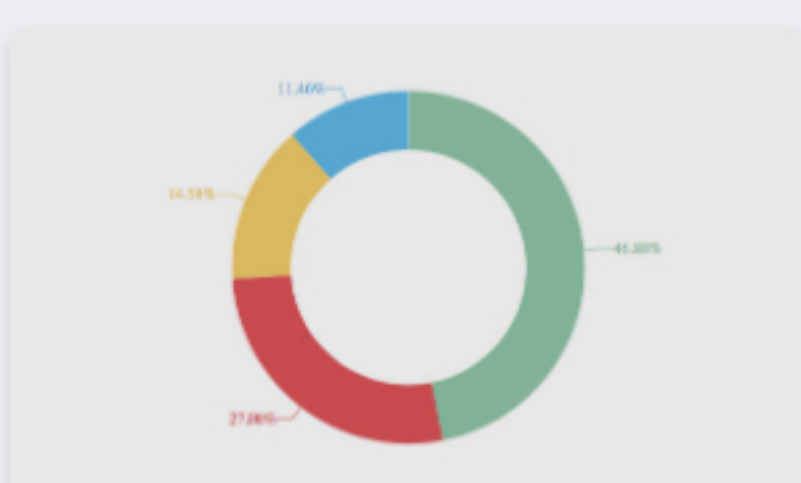
#### About the author Simon Zhen



Simon Zhen is the senior research analyst for MyBankTracker. He is an expert on consumer banking products, bank innovations, and financial technology. Simon has contributed and/or been quoted in major publications and outlets including Consumer Reports, American Banker, Yahoo Finance, U.S. News - World Report, The Huffington Post, Business Insider, Lifehacker, and AOL.com.

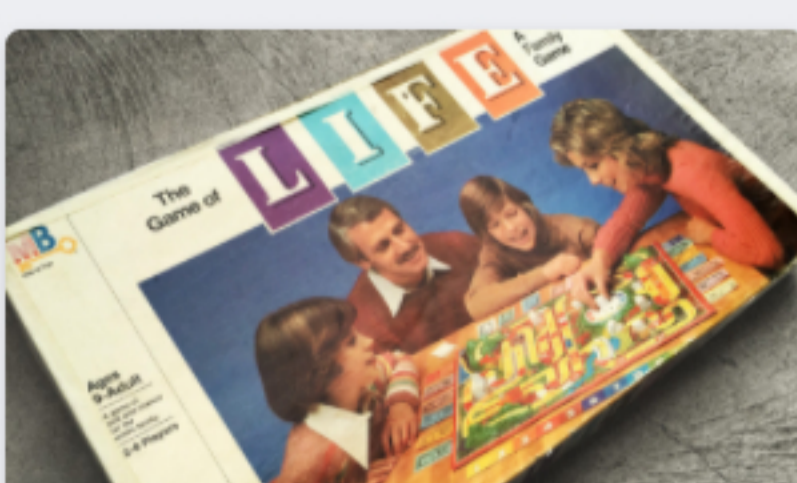
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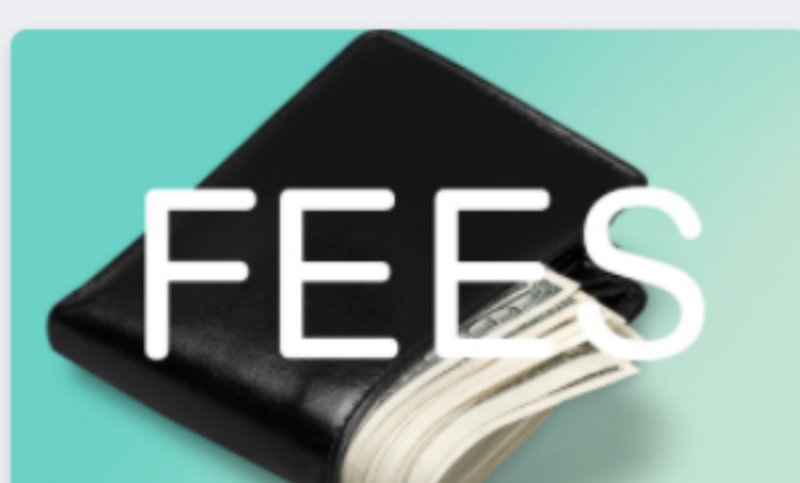
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