

## 3 SMART WAYS TO USE YOUR TAX REFUND THIS YEAR, ACCORDING TO EXPERTS



By: Aly J Yale - February 16, 2026

Tax season is officially here, and while that's typically no reason to celebrate, this year it may be. This year, Americans can expect tax refunds that are between \$300 and \$1,000 higher than usual, according to the Tax Foundation, which is due, in large part, to changing tax laws.

But what exactly should you do with that extra money from your tax refund when you get it, especially if you want to maximize the impact it has on your budget? The economic landscape has seen its fair share of volatility over the last year, after all, so some financial moves and investments that might have been smart in 2025 won't be the right strategy in 2026. Here's what to know.

### 3 smart ways to use your tax refund this year, according to experts

Want to make sure you use your tax refund in the most strategic way possible this year? Here's what experts say you should do with the money.

#### Put it in a high-yield savings account or CD

If you want to grow your higher-than-average refund even more, depositing it into a high-yield savings account or certificate of deposit account (CD) is a good strategy to consider, experts say. While rates on these products are lower than they were a few years ago, "they're still fairly high," says Brittany Pedersen, director of deposit and payment operations at Georgia's Own Credit Union. "You could start earning interest on your refund right away."

Nationally, the average interest rate on a savings account is 0.39%, while 12-month CDs are offering rates of about 1.61%. If you're willing to shop around, though, you can find banks and credit unions with rates much higher, with some offering close to or above 4% for savings accounts and slightly higher for CDs.

"With today's interest rate environment, both high-yield savings accounts and CDs can be an appropriate place for short-term parking for tax refunds, especially if you don't need them now but you need them to be

liquid within the next one to three years," says Skip Skolnik, senior planner and founder at Skolnik Retirement Solutions. "High-yield savings accounts offer liquidity and flexibility, while CDs can make sense if you're able to lock the money up for a defined period."

#### Reduce your high-rate debts

Consumer debt has been rising year after year, and credit card balances alone have jumped dramatically in this economic climate.

If you're one of the many consumers carrying debts — particularly credit card debt, which now sits at an average rate of nearly 21% — then putting your tax refund toward these balances would likely save you significantly in the long run.

"If you have a credit card at 18%, we want to do whatever we can to take that out as fast as possible," says Noah Lewis, a financial advising analyst at Scholar Advising.

Skolnik recommends following the snowball method, which has you aim to pay off your credit card with the largest balance first while paying just the minimum on your other credit cards. Once that's paid off, you tackle your next-largest debt and so on.

"People get a sense of accomplishment and become motivated and encouraged to continue paying down the debt," Skolnik says.

#### Pay a large chunk toward your mortgage (if your rate is high)

Mortgage rates have decreased lately, but they're still much higher than they were a few years ago. And unless you have an ultra-low rate (think the 2% to 4% rates that were common just a few years ago), then putting your refund toward your mortgage can be a smart idea, too.

"At the end of the day, mortgages are simple-interest loans, where any additional principal paid will reduce the amount of interest charged for the remainder of the term," says Kevin Watson, branch manager at Churchill Mortgage. "As a result, basic actions like paying

your tax refund into your mortgage can have an exponential impact on the total amount of interest paid over the life of the mortgage."

For example, if you had a \$350,000 mortgage balance and put a \$3,000 tax refund toward it each year, it would save you over \$173,000 over the life of the loan just in interest, Watson says. It also helps you pay off your loan faster, which frees up cash flow for other debts or goals you might have.

"Paying down the mortgage is essentially a risk-free proposition, with your earnings equaling your interest rate," says Mike Ognissanti, branch manager at Churchill Mortgage. "If the rate is 6.5%, that's like earning 6.5% after tax, which is hard to beat."

Just keep in mind, using your tax refund toward your mortgage means you won't be able to access that cash easily, like you would in a high-yield savings account. Make sure you won't need the cash soon and that you have a solid emergency fund in place before you do this.

#### The bottom line

The best thing you can do with a tax refund is to take a long-term approach rather than just focusing on short-term satisfaction. Earn interest on it, put it toward debts or invest it in something you can grow your wealth in. While a vacation or a shopping spree might seem like a great way to spend the cash, they ultimately won't further your financial goals or improve your life in the long haul.

"Large purchases made without a plan often provide short-term satisfaction but very little lasting value," Skolnik says. From a professional planning perspective, the refund is a strategic opportunity, not a lottery win."

Talk to a financial professional or investment advisor if you're not sure how to best use your tax refund this year. They can help guide you on the right moves for your goals and finances.

Ron, "Skip" Skolnik is the senior planner and founder of Skolnik Retirement Solutions in Elyria, OH. Skip has more than 20 years of experience in the senior and financial services industry. He has dedicated his career to helping seniors successfully transition into their golden years.



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