

Well, it's official. The holidays are over, the cold is back and there is nothing to look forward to until spring. Love it, love it. OK, really it's not that bad until the ending of January. That's when all of the documents should be arriving, and then the Christmas bills will be in.

When money is tight, everyone wants their refund fast. I get it. What I don't understand is why people would do a Refund Anticipation Loan to get their refund in 24-48 hours when there are different options.

A RAL- (Refund Anticipation Loan) is just that. It's a high interest loan that you are paying in order to receive your money. Why would you pay up to 800% to get your money that fast? Heck, if you want to throw away money- I would like to be on the other end of that! The IRS is making it more difficult for this to happen, because they feel (and so do I) that it is predatory. Think Subprime loans here. The fees are also based on your refund. As a former provider of RAL's, I know how much money there is to be made. That's why some franchises push to have this done by the client. There is no furniture, TV or game system worth the amount of money you pay to have your money. I only suggest this if someone is holding your first born upside down over a bridge. Even then, I would think twice about it. Yes, fees are deducted from your refund, so there is no out of pocket expense in getting your return done.

There is a Refund Transfer- This is when you don't have a checking account, and for a very small fee, a temporary account will be created for you, and when the deposit is funded in about 7-10 days, you will receive a check. I like this option if you have no account. This way, you don't have to wait for 4-8 weeks to get the check in the mail. The fees for your return preparation are deducted out of this as well, so again, no out of pocket expenses here.

Then of course, there is the free Direct Deposit. If you have a checking or savings account, or even an IRA, you can have your deposit in 7-10 days. The fees for tax preparation are not able to be deducted from this. Some preparers will allow for post dated checks, the honor system, or they take plastic.

I understand that times are tough, and money is tight. It really does pay to wait an extra couple of days to get your refund though.

If you have any questions or want your tax questions answered, please email me at kristhetaxlady@gmail.com

Next week: business deductions for the self employed.