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# Only 6 percent of people plan to use their tax refund for splurges this year

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Responsibility may be a hallmark of this tax season.

Only 6 percent of taxpayers plan to flitter away their refunds by taking a vacation or going on a shopping spree, according to a new [survey](#) by Bankrate.com. Meanwhile, more than a third of people will save or invest their tax windfall and 27 percent will use it to pay down debt.

It's not all good news. Nearly 30 percent of taxpayers plan to spend their refunds to meet their basic expenses, such as food and utilities.

The number of people who said they will save or invest their refunds and those who will use it for necessities reached the highest levels in the four times Bankrate has conducted the survey. The most recent survey was conducted in mid-February and based on interviews with 1,001 U.S. adults.

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Among those surveyed, millennials were the generation most likely to save or invest their refund, said Sarah Berger, who writes The Cashlorette blog for Bankrate. "It shows how responsible millennials are being with their money compared to older generations," Berger said.

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The [IRS](#) expects it will receive more than 153 million individual tax returns this season. In the 2015 tax year, the average refund paid was \$2,860.

"There is no glory in giving the government an interest-free loan, especially if it is happening year after year," said Kashif Ahmed, a certified financial planner and founder and president of American Private Wealth in Burlington, Massachusetts.

If your tax refund is above 2 percent of your annual income, it may be time to adjust your tax withholding, said Ryan Fuchs, a CFP and financial planner at Ifrah Financial Services in Frisco, Texas.

Tax withholding is the amount of your pay withheld by your employer and sent directly to the government as partial payment of income tax. How much is withheld is based on how you filled out your [Form W-4](#) when you were hired. On the form, you note "personal allowances" along with your filing status and number of dependents. The more allowances you have, the less tax will be withheld.

The IRS provides a free [calculator](#) to help you figure it out. Usually, you should take no personal allowances if you want a smaller tax refund or no cash back at all.

A tax refund may not be all bad.

"For folks who are not very good at saving, a tax refund may be their largest cash windfall of the year," said Kris Tower, a CFP and managing director at American Portfolios Financial Services in Denver. "Excess withholding acts as an embedded savings program."

Tower recommends you use that refund to take financially meaningful action, such as [boosting your emergency fund](#), [starting your retirement savings](#) or [opening a 529 college savings plan](#) for your children.



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