

Bankrate

Americans Choose Boosting Savings Over Debt Payoff with Tax Refunds

Two-thirds of U.S. adults expect a tax refund this year

NEW YORK - February 29, 2024 - Tax filing season is here, and according to a new Bankrate survey, two-thirds of U.S. adults (67%) expect a tax refund this year, with more than a quarter (28%) of those expecting refunds planning to use most or all of the money to boost their savings. That's the most popular anticipated use of the money.

To read more:

<https://www.bankrate.com/finance/credit-cards/debt-repayment-strategies/>

Behind boosting savings, other common plans are to use the money to pay down debt (19%) or to pay for day-to-day expenses (11%). Last year, debt payoff was the number one response, with 28% citing it as how they planned to use their tax refund, followed by boosting savings (26%). This year marks the lowest debt payoff figure in eight similar Bankrate surveys dating back to 2015.

"Americans are planning to be practical with their tax refunds this year," said Bankrate Senior Industry Analyst Ted Rossman. "While boosting savings is a noble goal, debt payoff is important, too. And credit card debt should be at the top of the list. A recent Bankrate survey found about half of credit cardholders carry debt from month to month (<https://www.bankrate.com/finance/credit-cards/credit-card-debt-survey/>). Many households would be well-served by putting some of their tax refund toward debt payoff and some toward savings. It doesn't have to be all or nothing. Consider carving out a little bit of fun money while you're at it, too."

Across generations, the primary planned usage for those expecting a tax refund is to add to their savings. However, apart from Gen Zers (ages 18-27), who plan to invest as their second choice (16%), the second-most planned usage for expected tax refunds is debt payoff, cited by 25% of Gen Xers (ages 44-59), 20% of millennials (ages 28-43) and 19% of baby boomers (ages 60-78). Debt payoff was the third choice for Gen Zers (11%).

Lower-income households were split almost evenly between savings and debt payoff while other income brackets slanted more toward savings.

Annual Income*	Put Most/All of Tax Refund Towards Savings	Put Most/All of Tax Refund Towards Debt Payoff
Under \$50,000	23%	20%
\$50,000-\$79,999	34%	23%
\$80,000-\$99,999	30%	19%
\$100,000+	30%	18%

**Of those expecting a tax refund this year*

While debt payoff is not the most popular use of tax refunds this year, more than 4 in 5 U.S. adults (82%) say they have had credit card debt at some point in their lives. The most common payoff strategy for those who have had credit card debt is to cut expenses to dedicate more money towards those efforts (35%), followed by using some or all of a tax refund to pay off debt (25%) and applying for a 0% balance transfer credit card (24%).

"If you have the average credit card balance (\$6,360, according to TransUnion) and you only make minimum payments at the average rate of 20.75%, you'll be in debt for more than 18 years and you'll owe more than \$9,500 in interest," Rossman added. "It's so important to come up with a better payoff plan. My favorite tip is to sign up for a 0% balance transfer credit card. These allow you to consolidate your existing high-cost debt onto a new card that won't charge interest for up to 21 months in some cases."

<https://www.bankrate.com/finance/credit-cards/balance-transfer/>

Methodology:

Bankrate commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,239 U.S. adults, of whom 1,505 are anticipating a tax refund. Fieldwork was undertaken between January 24-26, 2024. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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