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Stretching your tax refund

Experts' tips can help you get the most for a big-ticket purchase

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Most Americans will pay down their debt. Some will sock it away for a rainy day.

But about 24 percent will use their tax refunds this year to buy something pricey, such as a big-screen TV, car or vacation, the National Retail Federation reports.

Of course, financial planners wince about taxpayers getting refunds at all.

"I'm a firm believer that we should not be allowing the government to borrow our money throughout the tax year, interest-free, by 'giving us' a big tax refund at the end of the year," said Victor Encinas, a Phoenix financial coach. "If we have the money throughout the year, we can build an emergency fund, strengthen our budget or save more for retirement or education."

This isn't news to Eldon Stetson, 36, of Glendale. If he and his wife "were doing our homework like we should be, we'd try to balance things out that way."

Life happens, though, and soon another year has passed and the formula for owing nothing and receiving nothing on taxes hasn't been worked out. So this year, Stetson is putting a portion of his tax refund toward a \$2,500 mountain bike.

Like Stetson, 70 percent of Americans will receive tax-refund checks - and marketers will try to get them to part with them. The average tax refund is \$2,150, the IRS reports.

Encinas suggests that people negotiate all major purchases.

"When you have 'cash power' mixed with 'walk-away power,' you become a force for retailers to reckon with," he explained.

If you plan to make a major purchase with your tax refund, here's some advice on making the most of your money:

Airplane tickets

- Consider calling travel agents to book flights. They often have access to consolidator fares, involving tickets bought in bulk at a discount. "Even with a seller's mark-up, the cost of the ticket may be cheaper than you can find online," said Chris Elliott, National Geographic Traveler's ombudsman.
- Take advantage of Internet airfare-and-hotel packages, which can be cheaper than if you book those items separately.
- The best savings for buying and traveling in the same week is the first week of January, Elliot says. Some other weeks also offer discounted airfares: the week after Thanksgiving, to anywhere in the United States; the week of Thanksgiving, to Europe; and the two weeks after Labor Day - when most people have gone back to work or school - to anywhere in the United States.

Appliances

- For the best prices, services and selection, the mom-and-pop store is likely to beat the big-box store, says Lisa Lee Freeman, editor in chief of *ShopSmart* magazine. "Most people think the big-box stores are cheaper, when, in fact, we found that's not the case. The reason is that the (mom and pop) owners will bargain."
- Check appliance manufacturers' Web sites. They will post rebate and sale information that the stores selling the appliance may not tell you about.
- If you're going to buy an appliance at a bigger store: Sears got the highest marks in customer satisfaction in a 2006 *ShopSmart* survey. (However, a University of Michigan American Customer Satisfaction index showed that Costco led in overall customer satisfaction, followed by Target.)

Cars

- Don't shop for a car based on monthly payments. "It's the oldest trick in the book," said Jim Prueter, AAA Arizona senior vice president. "New- and used-car places want to talk about payments. Almost always, people who look at that instead of the overall cost of the vehicle will overpay."
- If you want to lease a car instead of buy, don't use your tax money as a down payment. In fact, don't put any money down on a leased car, Prueter advises. Though a monthly payment can still be reduced, if the buyer totals the car early in the lease contract, the down payment is not refunded.

- Don't be suckered by dealerships that offer loans against a person's expected refund check weeks before the IRS sends them out. Such loans usually come with high fees. Some car dealerships have even offered to do a customer's taxes if he will use his refund as a down payment.

Cruise tickets

- Book through travel agents specializing in cruises, Stewart Chiron of cruise-guy.com advises. They have access to upgrades and discounts not available on the Internet.
- Mention that you're from Arizona when booking. Some cruise lines offer regional discounts for passengers of Caribbean cruises, for example, because the cruise tickets and the price of airfare could be prohibitive to Arizona residents because of the distance.
- The traditional booking season runs from January through March 31. Usually, 75 percent of the cabins will be booked then for the calendar year, Chiron said. During this period, cruise lines tend to price more aggressively, meaning that consumers may be offered reduced rates, bigger upgrades, shipboard credit and free or reduced prices for children.

Electronics

- Quiz retailers and consult trade magazines or review sites, such as cnet.com, about when new versions of an item will be released.
- No matter how big the hype, trust friends and family to tell you about their experiences with a particular brand and what they know now but wished they knew then, advises Sean Wargo, director of industry analysis at the Consumer Electronics Association.
- Buy big-screen TVs during the weeks just before the Super Bowl. Buy audio equipment in the spring, as retailers try to woo buyers into outfitting their vehicles for road trips. Other electronics purchases are best made during sales over the holidays. But the best way to benefit from a significant price drop is to wait until the new-and-improved version is released, then buy the old version, Wargo says.

Exercise equipment

- May, June and July are the best time to buy, says Jon Stevenson, owner of treadmilldoctor.com, which repairs and reviews treadmills and elliptical machines. People in the Midwest and Northeast buy exercise equipment during the winter, so by late spring and early summer, the equipment isn't moving out the door. That's when places such as Sears put it on sale nationwide, Stevenson says.

- During the summer, buyers can negotiate up to 35 percent discounts on the suggested retail price.
- Dealers often are willing to throw in a floor mat and waive delivery fees if requested.

Furniture

- Purchase furniture online after finding a piece you like in the store, and you may receive up to a 40 percent discount, says Jennifer Litwin, author of the *Best Furniture Buying Tips Ever* (House of Collectibles, 2005, \$14.95).
- Make sure that a sale is really a sale. An industry tactic is to mark up the price of furniture so it can be put on "sale," she says, adding that regular retail prices for furniture should be about 40 percent above wholesale.
- Haggle for free delivery and assembly. Salespeople don't want you to go elsewhere and often will throw this in, which can save you 10 percent of the total price.

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