

## Three Ways to Spend Your 2008 Tax Rebate

*The 2008 stimulus package has been signed, sealed, and delivered. Top lawmakers from both sides of the aisle have agreed to pump more money into the economy. One way to use the money is to pay down your mortgage, or develop a debt consolidation plan.*

With the economy slumping and home values plummeting, elected officials in Washington D.C. decided to apply a financial defibrillator to the economy. By approving a \$168 billion economic stimulus package, legislators are hoping that consumers will shop 'til they drop, and get the economy's cash registers revved up.

Yes, Virginia, the government has proven that there is another Santa Claus. But for people who are struggling with bill payments, it may be time to look a gift horse in the mouth. For people who have been considering debt consolidation, or are even on the verge of foreclosure, a spending spree at the mall might not be the best course of action. Here are some more worthwhile alternatives:

### Pay down your HELOC

Homeowners who carry a home equity line of credit (HELOC) have been hearing a great sucking sound over the last several years. It's the sound of their hard-earned dollars being thrown at interest payments on their ever-expanding HELOCs. Our legislators are sending out a message that we need to jump-start the economy, but homeowners should also consider how much of a drain those interest payments have been on their own personal economy. With rebate checks coming to the tune of \$600 per individual, \$1200 per couple, and \$300 per dependent child, this sizable gift could take a big chunk out of the HELOC's principal.

### Make a mortgage prepayment

Most homeowners are locked into a 30-year mortgage, which seems like it will take an eternity to pay off. However, you can make prepayments on that sizable beast, and lower your overall interest payments in the process. Simply by making one extra payment a year, and devoting it entirely toward principal, you can shave years off your mortgage.

### Lower your credit card balances

Credit card balances can seem as difficult to shrink as a mortgage. However, the interest on a mortgage is relatively low and tax-deductible. It's a different story with your credit cards, as plastic usually carries a high rate of interest. Consider using your rebate money for debt consolidation and paying down some of your balances. You should choose the card with the highest rate of interest first.

In accordance with the wishes of our elected officials, you may want to spend a portion of your rebate. Increased economic activity does have a ripple effect that helps everyone. While debt consolidation is a worthy path to pursue, you may also want to do your patriotic duty and allocate a portion of it to a shopping spree. Take care of some red ink, but have your fair share of fun, too. Save and shop-it's the best way to practice smart money management and show your allegiance to the flag.

*Mortgage Loan.com | Posted: March 03, 2008*

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Regards,

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