

For additional details, contact:

Amy Lewis
Strategy Communications
Phone: 619-713-0622 (office) / 858-752-1085 (mobile)
E-mail: amy@scpublicrelations.com

Linda Rossi
San Diego Metropolitan Credit Union
Phone: 619-278-5715
E-mail: lrossi@sdmcu.org



PRESS RELEASE

MAKING YOUR TAX RETURN WORK FOR YOU

How to Use Your Return Productively During an Unstable Economy

SAN DIEGO, March 3, 2008 – Tax time is upon us yet again, and once the whirlwind of endless paperwork and filing has passed, we will anxiously await our annual return. However, what will you do once that check arrives? What is the most advantageous way to use the money in this uncertain economic climate?

When you first receive the extra funds, you may be tempted to splurge on that HDTV or other extravagance you've been eyeing! But, curb your initial impulses. It is now more important than ever to effectively utilize the extra money that may come your way in light of the uncertainty of the times.

According to a poll conducted by the Associated Press, 45 percent of people plan on paying off bills, and 32 percent will save or invest this year's refund check. In fact, only a minority -- 19 percent -- plans on spending their windfall on something frivolous.

San Diego Metropolitan Credit Union is dedicated to educating families and individuals on the importance of effectively managing their finances. With a few helpful tips, your income tax return can be used to create stability for the future, and ease the pressures of the current financial environment.

Think Short-Term

Although most financial planning is directed toward long-term investing, it is also recommended that you keep a portion of your assets in liquid accounts, such as CDs or money- markets. This is especially important in a recession-prone economic environment, where extra-money can be hard to find. Having liquid assets will provide you with an emergency fund that cannot be accessed in other types of financial accounts, such as in stock accounts.

Reduce Debt

Instead of splurging on a car or new wardrobe, consider paying off any debts you may have incurred. If you have too many to choose from, start with the one that has the highest interest rate. Generally, credit cards fall into this category. Paying off credit card balances can help ease your financial burden, as they usually have the highest interest rates and high monthly payments, which results in a greater "bite" out of your monthly budget. If you overspent during the holidays, or made an unusually large purchase that is taking much longer to pay-off than expected, this is an opportunity to put your return to good use, and pay down or off unsecured and high interest debt.

Make an Extra Mortgage Payment

For those who own a home, save in the long run by reducing the overall interest you'll have to pay on your home loan by making an extra mortgage payment. One extra payment per year, toward a \$200,000 loan with 6.5 percent interest can potentially save you \$60,000 in interest payments.

Save for the Future

With the extra money from your refund, this is an ideal time to start building up or adding to your nest egg. You may want to open a retirement account, or contribute to the one you already have. For those families with children, it is a good idea to put a little something aside for college, possibly in a 529 plan.

Invest in Yourself

The financial world will always be risky, so why not invest in a sure thing —yourself! Enhance your resume by taking a few special skills courses at a local community college. Learn a new language or become an expert on the latest computer software. The results will be useful in more ways than one.

Splurging is Okay...But Only a Little

All this talk about responsible spending may leave you less than satisfied, so here's a tip for your inner shopaholic who may want to be a little more adventurous with your refund.

Earmark a portion of your windfall for a little vacation, nothing very expensive, just something fun to do with loved ones. Maybe upgrade your older appliances to energy efficient ones that will save you money. Whatever you decide, exercise a bit of self-control and cap your spending at 10 percent of your refund total, and be sure not to spend beyond that.

Recognize the Opportunity Without Dwelling on the Negative

Although an unpredictable economy can make our hearts race and heads spin, there is no reason to panic. These conditions provide us with the opportunity to step back and objectively look at our finances. This way we can organize our spending habits and make our financial decisions accordingly.

San Diego Metropolitan Credit Union (SDMCU) is committed to its community and members and provides services to families and individuals to manage their personal finances. SDMCU has been in business since 1934 and serves over 20,000 members. SDMCU's corporate headquarters are located in San Diego and information about SDMCU is available on the worldwide web at www.sdmcu.org.

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