

Paychecks and taxes

Make your tax refund work for you

A refund can feel like a bonus. Make a plan before it arrives, and it can catch up a bill, start a cushion, pay down debt and leave room for something you enjoy.

5-minute read • Updated October 2026 • Checked against its sources

**The short version**

- ✓ The average federal refund was \$3,276 in the 2026 filing season, through May 8. For many people, it's one of the biggest checks of the year.
- ✓ Decide before it lands: catch up on urgent bills, start an emergency fund, pay down high-interest debt, then save for what's next.
- ✓ A refund is tax you overpaid, plus any refundable credits. Your W-4 can turn the overpaid part into bigger paychecks instead.

Rather talk it through?

A volunteer financial adviser can help with your situation, one-on-one, for free.



Point your phone's camera at the code, or go to:

go.advisersgiveback.org/start

From a nonprofit. Every volunteer adviser is a fiduciary, which means they must put your interests first. We never sell your information.

1

Where your refund comes from

A refund can feel like a bonus. Usually, though, it's your own money coming back. If more tax was withheld from your pay during the year than you owed, you get the difference back as a refund. ¹

Some refunds are bigger than all the tax that was withheld. That's because of refundable tax credits, like the Earned Income Tax Credit (EITC). Most tax credits can only lower your tax to zero. A refundable credit goes further and pays you the rest as a refund, even if you owed no tax at all. ² That's one reason the IRS says it's best to file even when you don't have to. ²

For many people, a refund is one of the largest checks they get all year. ³ By May 8 of the 2026 filing season, the IRS had issued more than 99 million refunds. ⁴

\$3,276 was the average federal tax refund in the 2026 filing season, through May 8

That's up 11.5% from \$2,939 at the same point in 2025.

Source: Internal Revenue Service, Filing season statistics for week ending May 8, 2026 (Updated May 18, 2026)

The average refund rose to \$3,276 by mid-May 2026

Average federal tax refund, from the start of each filing season through mid-May



Each year counts refunds through a Friday in mid-May: May 13, 2022; May 12, 2023; May 10, 2024; May 9, 2025; and May 8, 2026. Not adjusted for inflation.

Source: Internal Revenue Service, Filing season statistics by year (Accessed September 2026)

An average hides a wide range, of course. Your own refund depends on your income, how much was withheld and the credits you qualify for.

2

Make a plan before it arrives

A refund can slip away into everyday spending if it doesn't have a job. So decide where it goes before it lands. The Consumer Financial Protection Bureau suggests saving all or part of a refund, which could help you quickly set up an emergency fund. ³

If you're not sure where to start, work through these steps in order. Stop wherever your refund runs out.

- 1

Catch up on urgent bills.

Past-due rent, utilities, or anything with late fees or a shutoff notice comes first.

2 Start or refill an emergency fund.

Even a few hundred dollars set aside can keep the next surprise off a credit card. Our guide to [building an emergency fund](#) shows how.

Online: advisersgiveback.org/resources/not-if-but-when/

3 Pay down high-interest debt.

In 2025, credit card accounts that were charged interest paid an average rate of 22.32%.⁶ Every dollar you pay toward a balance like that stops costing you interest.

4 Save for what's next.

Put the rest toward a goal, like a car fund, a move or retirement.

Already on solid ground? Then think about splitting your refund between future you and present you. Put most of it toward saving or paying down debt, and set aside a smaller piece to enjoy now. A small reward can make the plan easier to stick with.

**An example: splitting the average refund**

Say your refund is \$3,276, the 2026 average. One way to split it: \$500 to catch up on a utility bill, \$1,000 to start an emergency fund, \$1,276 toward a credit card balance and \$500 for something you'll enjoy. Your own split will depend on your bills, your debts and your goals.

3**Split it so the plan happens on its own**

You don't have to move the money yourself. When you file, you can have your refund deposited into one, two or even three accounts, including an individual retirement account (IRA). Tax software can split it for you, and on a paper return you use IRS Form 8888.⁷ The accounts should be in your own name, your spouse's name or both.⁷

Filing electronically and choosing direct deposit is the fastest way to get your refund. The IRS issues more than nine out of ten refunds in less than 21 days.⁷

Direct deposit matters more than it used to. The IRS generally stopped sending paper refund checks after September 30, 2025, and a return without bank information may take longer to pay out.⁸ Don't have a bank account? The IRS points to the FDIC's GetBanked site and MyCreditUnion.gov to help you find a free or low-cost one.⁸ Some reloadable prepaid cards and mobile apps can also take a refund by direct deposit, if they have routing and account numbers. Check with the provider first.⁷ Ask about fees, too.

**Try this before you file**

Decide your split and write it down. Then gather the routing and account numbers for each account. If you want a savings account just for this, open it before you file, so it's ready when your refund arrives.

4

Don't spend it before it lands

A refund can arrive later, or smaller, than you expect. So wait until the money is in your account before you spend it.

- **Timing.** By law, the IRS can't send refunds before mid-February to people who claim the EITC or the Additional Child Tax Credit. The hold covers the whole refund, not just the credit. ⁹ You can follow any refund with the IRS's Where's My Refund? tool. ⁷
- **Changes.** The IRS may lower a refund if it finds a math error or a credit you don't qualify for. ¹⁰
- **Old debts.** Part or all of a refund can go to past-due child support, certain federal and state debts, or federal tax you owe from an earlier year. ¹⁰

5

Would you rather have it in each paycheck?

If your refund is big because too much was withheld, you paid in more than you needed to all year. Vidalia Cornwall, a CFP® professional who volunteers with Advisers Give Back, calls it an interest-free loan to the government. Vidalia suggests using your W-4 to aim for close to even, with maybe a small refund. ¹²

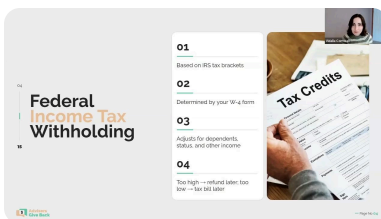
Watch · 1:15

Why a big refund is a loan to the government

A big refund is an interest-free loan to the government, and owing means a bill and possible penalties. Use your W-4 to land close to even.

Vidalia Cornwall, a volunteer CFP® professional

Scan the code to watch it, or go to advisersgiveback.org/resources/make-your-refund-work-for-you/



The IRS Tax Withholding Estimator can help you find the right amount. Having less withheld gives you a bigger paycheck now and a smaller refund later. ¹¹ If you earn tips or overtime, the 2026 Form W-4 also lets you count the new federal deductions for that pay, so less is withheld. ¹ The calculator below shows what a refund could look like spread across your paychecks.



Your refund, paycheck by paycheck

Worked example

Scan the code to try your own numbers, or go to advisersgiveback.org/resources/make-your-refund-work-for-you/



Your last refund **\$3,276** How often you're paid **Every two weeks**

\$126

more in each paycheck, if your withholding matched what you owe

That's \$3,276 spread over 26 paychecks, instead of one refund after you file.

Keep two things in mind. First, your W-4 only changes how much tax comes out of your pay. ¹ If your refundable credits are bigger than your tax bill, that extra part still comes as a refund at tax time. Second, if too little is withheld, you may owe tax and a penalty when you file. ¹

There's no single right answer. If you like getting a refund as a kind of forced savings, that's a fine choice. A split direct deposit into savings each payday can do the same job, and the money is yours sooner. Either way, choose on purpose.

Your refund doesn't have to disappear without a trace. Give it a job before it arrives.

If you're weighing debt, savings and your withholding all at once, a volunteer adviser can help you sort out what comes first, one-on-one and for free.

Questions to bring to your adviser

A volunteer adviser is ready when you are.

A volunteer adviser can look at your numbers with you and help you decide what to do first.

go.advisersgiveback.org/start



Sources

1. Internal Revenue Service, Form W-4 (2026), Employee's Withholding Certificate, 2026. Purpose of Form, page 2; Step 4(b) and the Deductions Worksheet, pages 2 and 4.
irs.gov/pub/irs-pdf/fw4.pdf
2. Internal Revenue Service, Refundable tax credits, Updated September 21, 2026.
irs.gov/credits-deductions/individuals/refundable-tax-credits
3. Consumer Financial Protection Bureau, An essential guide to building an emergency fund, Last modified October 29, 2025. "Strategy: Take advantage of one-time opportunities to save".
consumerfinance.gov/an-essential-guide-to-building-an-emergency-fund/
4. Internal Revenue Service, Filing season statistics for week ending May 8, 2026, Updated May 18, 2026. Cumulative statistics comparing May 9, 2025, and May 8, 2026.
irs.gov/newsroom/filing-season-statistics-for-week-ending-may-8-2026
5. Internal Revenue Service, Filing season statistics by year, Accessed September 2026. Average refund from each year's mid-May page: weeks ending May 13, 2022; May 12, 2023; May 10, 2024; May 9, 2025; and May 8, 2026.
irs.gov/newsroom/filing-season-statistics-by-year
6. Federal Reserve Board, Consumer Credit - G.19, September 8, 2026. Terms of Credit: interest rate on credit card plans, accounts assessed interest, 2025.
federalreserve.gov/releases/g19/20260908/default.htm
7. Internal Revenue Service, Get your refund faster: Tell IRS to direct deposit your refund to one, two, or three accounts, Updated May 18, 2026. Includes prepaid debit cards and mobile apps that can take a direct deposit.
irs.gov/refunds/get-your-refund-faster-tell-irs-to-direct-deposit-your-refund-to-one-two-or-three-accounts
8. Internal Revenue Service, Questions and answers about Executive Order 14247: Modernizing Payments To and From America's Bank Account, January 27, 2026. Topic A, questions 1, 3 and 5.
irs.gov/newsroom/questions-and-answers-about-executive-order-14247-modernizing-payments-to-and-from-americas-bank-account
9. Internal Revenue Service, When to expect your refund if you claimed the Earned Income Tax Credit or Additional Child Tax Credit, Updated September 25, 2026.
irs.gov/credits-deductions/individuals/earned-income-tax-credit/when-to-expect-your-refund-if-you-claimed-the-earned-income-tax-credit-or-additional-child-tax-credit
10. Internal Revenue Service, Reduced refund, Updated June 1, 2026.
irs.gov/refunds/reduced-refund
11. Internal Revenue Service, Tax Withholding Estimator, Updated June 27, 2026.
irs.gov/individuals/tax-withholding-estimator
12. Advisers Give Back, The Paycheck Advantage (workshop recording), January 22, 2026. Presented by Vidalia Cornwall, CFP® professional.
advisersgiveback.org/resources/workshops/the-paycheck-advantage/

Updated October 2026. This guide is general information, not advice for your situation. We check every number against its source; if something has changed, tell us at advisersgiveback.org/contact. Read it online, with its calculators and videos, at advisersgiveback.org/resources/make-your-refund-work-for-you/. Advisers Give Back is a 501(c)(3) nonprofit (EIN 84-4685390), and we never sell your information.