

5 Money-Smart Ways to Spend Your Second Stimulus Check

If you don't have to use your second stimulus check for basic necessities, consider putting the money to work for you. You'll thank yourself later.

Under a bill passed by Congress and signed by President Trump, millions of Americans will receive a second stimulus check in the coming weeks. Second-round payments will be for \$600 per eligible person, plus an additional \$600 for each child (use our [Second Stimulus Check Calculator](#) to see how much you'll get). Many families who have lost income during the coronavirus pandemic will need to use their checks to put food on the table or keep a roof over their heads. But if you're still fully employed and not financially distressed, consider putting your stimulus check to work.

With many restaurants closed and most events shut down, it's more difficult to "waste" your second stimulus check on vacations, eating out, attending a concert and the like. So, instead of spending your second stimulus check on something you really don't need, think about investing, saving, or donating the money you receive from Uncle Sam.

Here are 5 ways you can make your second stimulus check work for you or help your community.

Save for Retirement

Stocking away money for retirement is always a smart move. You have until April 15, 2021, to invest in a traditional or Roth IRA for 2020, but why wait? The maximum contribution for a 2020 IRA is \$6,000—\$7,000 if you're 50 or older—so you can stash your entire stimulus check there if you don't need it for anything else.

Certain areas of the stock market still remain underpriced as they recover from deep early 2020 losses. However, if you're not inclined to build your own portfolio, consider investing in a target-date fund, which will invest in a mix of stocks and bonds, based on how many years you are away from retirement.

Pay Off High-Interest Debt

Interest rates are low for student loans, mortgages and bank savings accounts, but if you're carrying credit card debt, you're probably paying upwards of 15%. You can free up a lot of cash by paying off those cards—and paying down debt gives you a rate of return you can't find anywhere else, says Benjamin C. Simiskey, a CFP in Katy, Texas. If you manage to pay off the entire balance, you're also eliminating a monthly expense, he adds. "That's the best of both worlds."

Give It Away

If your finances are in order and your job is secure, considering using your stimulus check to help those who don't share your good fortune. You can deduct a portion of your donation on your 2020 or 2021 tax return even if—like most taxpayers—you claim the standard deduction. That's because there's a new "above-the-line" deduction for up to \$300 of cash donations. But the deduction is only available for donations made in 2020 or 2021.

You can't claim the \$300 above-the-line deduction if you itemize—in that case, you'll have to deduct your contributions on Schedule A of your tax return. But there's also pandemic-related relief for 2020 and 2021 itemizers who want to make major contributions. The amount itemizers can deduct for cash contributions is generally limited to 60% of their adjusted gross income (any cash donations over that amount can be carried over for up to five years and deducted later). However, Congress lifted the 60% of AGI limit for cash donations made in 2020 and 2021, although there's still a 100% of AGI limit on all charitable contributions.

Shore Up Your Emergency Fund

While the unemployment rate is lower now than it was earlier in 2020, many people still don't feel very comfortable about their employment situation. Even if you're working now, the pandemic isn't over yet. You could still experience a drop in income if your hours are cut, you're quarantined, or you have to stay home with your children because their school buildings are closed.

Ideally, you should have at least three to six months' worth of living expenses in a savings account. If you're not there yet, your second stimulus check is a good start. Online banks usually offer the highest interest rates on savings accounts, and some come with no minimum-balance requirement or monthly fee.

[Click here](#) to learn more about the NYSUT Member Benefits Corporation-endorsed Synchrony Bank Savings Program which offers online savings accounts with competitive interest rates.

Invest in a 529 College Savings Plan

Contributions to a 529 college savings plan grow tax-free, and withdrawals aren't taxed if you use them for qualified expenses, such as college tuition and room and board. You can invest all or a portion of your second stimulus check—529 plans typically have very low minimums. Plus, your state may give you a tax deduction or credit if you invest in your own state's plan. If your children are young, you have many years for investments in the plan to compound and grow. To research plans, go to www.savingforcollege.com.

Support Local Businesses

Buy a gift card for a local restaurant or other small business that has been forced to close or scale back operations because of the coronavirus pandemic. That will provide the business with much-needed cash during the shutdown, and you can use the gift card to treat yourself to a nice meal or massage when the pandemic is behind us.

NYSUT NOTE: NYSUT Members have access to the NYSUT Member Benefits Corporation-endorsed Financial Counseling Program which offers fee-based financial services to help with your financial planning needs. [Learn more.](#)

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