



How the holiday bonus is finally making a comeback

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The holiday bonus, which is making a comeback after the financial crisis of 2008, can be a lifeline to financial health in 2015, so don't squander it.

That's how financial advisers view the end-of-year bonuses that some workers receive as a reward for services in 2014. They have a few recommendations for clients.

The end of the year is the time to make progress on retirement goals, rid yourself of outrageous credit-card interest charges and establish a better banking relationship. It is not the time, they say, to take on new debt.

"It can be very tempting to take the supplemental income and buy your kids some extra gifts. But you could be penalizing yourself in the long run if you do that," says Nicole Mayer of RPG - Life Transition Specialists.

Putting extra money into a retirement plan at work has several benefits, Mayer says.

That's because bonuses are heavily taxed, and 401(k) and IRA contributions, since they are usually tax-deductible, can offset the tax bill. And, another adviser notes, they can, in some circumstances, considerably increase retirement savings.

"If your employer matches year-end bonus contributions, you could immediately grow your bonus by several hundreds of dollars," according to **Anthony Ogorek**, a financial adviser.

You can also save hundreds of dollars or maybe more over the course of the year, Mayer adds, by banking your bonus. That can help you avoid pesky fees that are assessed against those with low balances.

But Mayer and others say there is a better option for that extra cash, one that has a guaranteed high rate of return.

"Paying off credit-card debt that can carry up to 20 percent interest certainly makes sense," says financial adviser Jeffrey Feldman. He emphasizes that bonus dollars shouldn't be treated as "found money" and spent on reckless purchases that one would normally avoid.

Feldman also advocates using some bonus money to build a cash reserve against potential unemployment or other unexpected problems. Without a cash reserve, those could lead to more credit-card use, triggering a debt spiral that can take years to escape.

"Then look at your bonus," Ogorek says, "as a now-and-future expenditure. Spend some on yourself or your family now. But also take a percentage of it and put it into things such as savings that will help you in the future."