Jane Walstedt: Anyway, before I turn the floor over to our operator, I just wanted to mention that we also have with us today Cris DeBolt, who used to be the benefits officer here at the Labor Department. And Cris did register for the call, but I talked to her before the call and mentioned to her we have - according to registration--we have a lot of Federal employees listening today, so Cris is another resource for us. And thank you, Cris, for being with us.

Cris DeBolt: Thank you.

Jane Walstedt: And now I’d like to turn the floor over to our operator to remind us how to ask questions. Calvin--

Operator: Thank you. At this time if you would like to ask a question, please press * 1 on your touchtone keypad. That is *, followed by 1 to ask a question. Please record your name so I may introduce your question. One moment please. Our first question comes from Carol Borges. You may ask your question.

Carol Borges: Good afternoon. Thank you for taking my call. The question I have is really not for budgeting purposes, rather for investments. I’m finally at a point in my life where that 10 to 15% of my income can be invested, and I’ve been doing it for a couple of years. And I’m very grateful to have reached that point in my life, but here’s the problem. The market is pretty bad right now, and every quarter when I get my statement, instead of making money, I’m losing money.

So my initial gut reaction is to pull out. And other people have said, “Well you’ve got to stay in. You’ve got to stay in.” And staying in sounds good in
the long term if it’s going to make it up. I just don’t see that losing money every month for, you know, the last -- I don’t know -- year is really the best option for me.

So I would like to pull out, but I don’t know what options I should go into. Should I just start, you know, putting it into CDs or into a savings account, which isn’t going to give me as much interest as playing the market? So if you have any suggestions, I’d be very appreciative to hear them.

Erika Safran: May I answer this?

Jane Walstedt: Yes, please, Erika.

Erika Safran: Please tell me your name just so that…

Carol Borges: Carol.

Erika: Carol. Thank you, Carol. If you’re investing, you never invest in only one investment. It’s not always going to be a large cap growth fund or a commodity fund or an overseas fund or a bond fund.

Carol Borges: Right. I’m pretty diversified in the funds, but, you know, I’d say about 75 to 80% of them are not doing well. So I didn’t know whether I should just move them into the other fund options within the …. I guess...

Erika Safran: The ones that are not doing so poorly. Okay.

Carol Borges: There’s a couple that aren’t, but most of them are doing pretty bad.

Erika Safran: So I don’t know what your particular investments are, but if you have quality investments, if they’re well managed funds, if they’re well managed funds and
they’re well rated and those funds help you to achieve a long term target and you are diversified, first thing that I would ask myself is why am I investing? Am I investing for a timeframe that’s next year, two years, or ten years from now?

If you have a long term timeframe, then I very highly recommend maintaining your current investments and consider contributing to them on a monthly basis, which is a gift in the investment and in finance and investment thinking. But if they’re quality investments, remind yourself of why you’re investing in the first place.

If you have a two-year timeframe or a one-year timeframe, what that means is that it might be too aggressive for you. And then the other thing to consider—even if you do have a long term timeframe—you may want to reevaluate the type of investments that you have. They might be too aggressive for your risk tolerance.

So without going to CDs, you may just want to have someone—a professional—evaluate your investment selections.

Jane Walstedt: Erika, also wouldn’t - if any of the - Carol’s investments are with a family of funds, might she not get advice from the firm that the funds are…you know, whose funds they are?

Erika Safran: I think that the – in the response that the help desk at these investments - at the mutual funds are there to tell you the features of a specific mutual fund, but they cannot assess if it is in the best interest of the investor.

Jane Walstedt: Yes.
Erika Safran: So that’s where you need someone to be able to give you the…look at the entire picture.

Jane Walstedt: Right. Rebecca or Warren, did you have anything to add? Or…Rebecca looks here like she’s champing at the bit.

Rebecca Schreiber: Well, I guess I’m trying to think about the other side of it. Let’s say that you do pull out. You put your money in maybe a money market account until things calm down and then, you know, you put your money back in the market. Right now the best you’re going to get out of a money market account is maybe 2 ½%. Meanwhile compare that…and you’re going to pay interest on that.

Compare that to the growth you’ve probably seen in the past, and the fact that the money that you’re putting into these accounts now, if you are continuing to make contributions, you’re buying these mutual funds on sale. The value of them has come down. You get to buy them when they’re low and then enjoy them when they’re high.

So that’s the benefit to investing. It is…just like as Erika was saying, risk tolerance is a key factor. If your investments make you nervous on a regular basis,…. Now, you know, our economy’s basically suffering a hangover. And it’s going to get over it, but it’s going to take a little time. You know, if you are normally nervous on a regular basis about your investments, then yes, maybe you need to be in investments that are not as volatile.

If you’re normally happy with your investments, but right now it’s a tough time, try to look back at those statements and remember the good times, because those are the ones waiting for you. Again, you just have to remember that it was good in the past, and it’s going to be good again, like I said, assuming that you are in a diversified portfolio.
Jane Walstedt: I think that’s such an important point about the timeframe, too, because I’m invested in the Federal government’s Thrift Savings Plan. And they don’t do it anymore, but they used to in the newsletter...you used to be able to see how the fund had performed not just over one year, but over say the last ten years. And then you could see the ups and downs. And if the return over ten years was good, then you were okay. And so I think that business about the...are you investing for the short term or the long term is so key.

Rebecca Schreiber: And people forget that, you know. Economic cycles are normal. They’re healthy. It’s how our economy grows. They’re not fun, but they are relatively short lived.

Jane Walstedt: Thank you so much. Calvin, do we have another question?

Coordinator: Yes, ma’am. Our next comes from Sheila Brock. You may ask your question.

Sheila Brock: Yes, I have a question at the beginning. Erika mentioned something about the percentages should be less than a certain percent for net income regarding your housing, credit cards, et cetera. I didn’t get all those percentages.

Erika Safran: I’d be happy to repeat them for you. Your payments on credit cards, consumer debt should be less than 20% of your net income.

Sheila Brock: Okay.

Erika Safran: You’re calculating it monthly or annually. It doesn’t matter, as long as the calculations - the percentages are the same on each side. How much should
you be spending on monthly housing? The amount that you pay for principal, interest, taxes, insurance, or just your rent should be less than 28% of your monthly gross.

Sheila Brock: Okay. All right.

Erika Safran: Then on the overall picture, how much of your income should be allocated to paying your overall debt? Less than 36% of your gross income.

Sheila Brock: Okay.

Jane Walstedt: And Sheila, this will all be in the transcript also, in case, you know, there was something that you missed or didn’t get down.

Sheila Brock: Okay, thank you.

Erika Safran: You’re welcome. These are the benchmarks that lenders look at to determine whether you’re in a good financial condition, and that also will determine how much money - additional funds--you can borrow if you need to.

Sheila Brock: Okay. Okay. Thank you very much.

Erika Safran: You’re welcome.

Jane Walstedt: Thank you. Calvin, do we have another question?

Coordinator: Yes. Our next question comes from Shelley Graham. You may ask your question.

Shelley Graham: Hi. It’s Shelley Graham. My financial posture also improved, so I am starting to set aside $500 per month to pay my property taxes. Right now I’m
putting it in the traditional, old passbook savings account, but I’m wondering if I should put it into a short-term CD or even a money market account. It’s going to be - my property taxes are due in September and January, so in a way there’s like nine months where it’s just sitting there doing nothing. So what’s the best venue to save that money?

Jane Walstedt: Which of our speakers might like to address that?

Erika Safran: I’m happy to address that.

Jane Walstedt: Okay.

Erika Safran: I thought I’d give someone else an opportunity to jump in too. I don’t…I’m so amazed that you have a passbook savings account. You actually have the passbook.

Shelley Graham: Yes, I do. We’re - I hate to tell you how old I am, but it’s about 50 years old.

Erika Safran: The…depending on where we are in interest rates, right now passbooks do not offer a high rate of return. You may want to consider…sure, consider three, six, nine-month CDs. If you’re in a high tax bracket, see if you can find a bond in your municipality that matures just about a week or so before you need the money. Treasuries are an option too if you’re in a high tax bracket, because you don’t pay state taxes on treasuries.

So you have many options. And, yes, I would highly recommend any one of those options. And if you have trouble budgeting, you may also want to pay directly. If you…if you’re concerned about spending that money in the interim, you may just want to pay your real estate taxes directly to the municipality.
Shelley Graham: No, I’m not worried about that.

Erika Safran: Okay.

Jane Walstedt: Okay. Thanks so much, Erika...

Erika Safran: You’re welcome.

Jane Walstedt: …Shelley. Calvin, do we have another question?

Coordinator: Yes. Our next question comes from Martine Gomes. You may ask your question.

Martine Gomes: Okay. Thank you very much for all of this, you know, great information you provided. I want to ask if you recommend any specific budgeting tools that we as those that are beginning to go into this planning, we can use to capture the fixed, the variables, and just to do better planning on this.

So is there anything that you recommend? I know there’s Quicken, there’s many tools out there, but which ones would you highly recommend for us beginners to start using?

Warren Strauss: Can I take a crack at this, please?


Warren Strauss: Martine, this is Warren. The American Institute of Certified Public Accountants has put together a website that is loaded with the tools that you’re looking for that you don’t have to pay for.
Martine Gomes: Right.

Warren Strauss: The website address is www - and it would be the number 360 as in three hundred and sixty -- 360financialliteracy--that’s F, I, N, A, N, C, I, A, L, L, I, T, E, R, A, C, Y--.org. And you can find all the tools there. It’s fun to go out and buy software, but then you have to spend a lot of time learning the software. The - and install it.

The guidance that Erika and Rebecca gave you today about writing everything down, some of these things sound…may sound a little foreign to you because you don’t work with them every day as Rebecca and Erika and I do. But as you write these things down, you’ll see fixed expenses are those that just keep occurring again and again and again -- the rent, the mortgage payment, the condo fee, the electricity. This is the stuff you’ve got to pay just about the same amount every month.

The variable expenses are what you spend on going out to the movies, things like that...

Erika Safran: That you have control over.

Warren Strauss: Yes.

Erika Safran: You can control your variable expenses. You don’t always have control over fixed expenses.

Warren Strauss: That’s right. And as you do what Erika told you to do--to keep a notebook of what you’re spending on--these patterns will emerge. They’ll become very visible to you. You just have to jump in and do this and within 90 days, within three to six months, all of a sudden, I mean things’ll just start clicking in your head. It’ll happen.
Jane Walstedt: Next…I’m sorry, Warren. Did you want to say something else?

Warren Strauss: No. I…by the way, somebody asked a question about…the first question Carol asked about investing in the funds and watching them go down. And it just reminded me that a couple of decades ago - and I’m in the business of security selection as well--but I saw these great examples of how if you took money out of your checking account every month and had it automatically invested in some funds, how over a 20-year period it would just grow and…like a snowball at the top of the hill.

And I said, “You know what? I’ve got to start doing it. This is a great idea. This is my Plan B in addition to everything else I’m doing. This is how…so I started doing that.

And I remember my wife after 18 months said to me, “How’s that program working out?” And it was working out terribly. Everything just kept going down every month from where I bought it. But as was pointed out by the other speakers, it was a gift, because even…because I was spending the same amount of money every month, I was getting to buy the shares of those funds on sale at a lower price every month.

Now, granted, all of the shares were worth a little bit less each month, because the share price kept going down. Let me tell you something. Eventually the share prices start going back up. They do. And when they do, it just…the value just exploded to the upside because of all of the additional shares that I bought when the prices had gone down. So stay with that program.

Jane Walstedt: Thanks, Warren. Erika and Rebecca, did you want to add anything to the answer that Warren gave to Martine? And that…let me just mention I know we’re running over time a bit. As long as there are questions, I’m going to let
us run over about 15 minutes, because I think for many people this is the interesting part for them--to be able to ask a question. So Rebecca and Erika, did you have any answer to Martine?

Rebecca Schreiber: Yes. I just wanted to recommend Microsoft Excel. I’m a huge fan, because it’s relatively simply to use. If you have a PC, it’s on it for free. You can just start, you know, typing information into it.

And what’s also nice about it is that at the end of month, you can just copy the entire page, create a new worksheet and paste all of that into a new worksheet for the month, with all your spending targets on there and the categories of how much you want to spend on that category each month.

It’s simple, it’s mobile, you can…lots of PDAs have Microsoft…a mobile version of Excel on it. And it’s really not too complicated. I’m not a huge fan of the more complicated software because you have to download from the banks, and it gets a little hairy, but with Microsoft Excel I can just get in, get out. It’s easy to look at, and it’s easy to navigate. So that at least is what’s worked for me.

Jane Walstedt: Do you have…are you computer—…are you good at the computer, Martine? I mean are...

Martine Gomes: Yes. I started using Excel, but not too…I’m very basic with it. But I was just wondering if there’s anything else out there.

Jane Walstedt: Okay.

Erika Safran: If I may suggest that you don’t want…and there’s so many ways to solve this just by going online or entering the data in the spreadsheet. If you would like, I could make available a generic Word document that has a listing of the types
of expenses and with slots so you can just write them in by hand. You can print them out and take out a good old fashioned pen or pencil and identify your income, be it salary or interest or pension, and identify the different types of expenses. You know, electric, housekeeping, mortgage, rent. If that’s helpful, I’m happy to make it available and that can be available to the participants.

Jane Walstedt: We could add it into the transcript, Erika.

Erika Safran: Yes.

Jane Walstedt: And also I should point out to Martine, in the Wi$e Up curriculum there are worksheets.

Martine Gomes: Okay, great.

Jane Walstedt: Yes. Okay. Calvin, do we have another question?

Coordinator: Yes ma’am. Our next question comes from Becky Cruz. You may ask your question.

Jane Walstedt: Go ahead, Becky.

Becky Cruz: Okay. I wanted to know if buying savings bonds is still a good investment.

Jane Walstedt: Okay. Speakers, what would you say?

Rebecca Schreiber: I’d say it depends on your timeframe. Is this more for the short-term or for the long-term?

Becky Cruz: This would be long-term.
Rebecca Schreiber: Long-term. And what would you want to spend this money on in the future?

Becky Cruz: Actually, I was thinking just for retirement.

Rebecca Schreiber: And have you ever invested outside of savings bonds before?

Becky Cruz: Yes.

Rebecca Schreiber: You have.

Becky Cruz: Yes.

Rebecca Schreiber: Well, if you had a significant amount of time, you know, seven to ten years, and you’re used to investing in, you know, maybe some mutual funds or some exchange traded funds, and you’re comfortable with that, I would definitely recommend that if you’ve got, you know…this is retirement money, and you have a significant amount of time until retirement, that you go with something that’s going to give you a much greater return.

Again, if you’re completely scared of the stock market, you know, then there are other ways to get a better return. But I would say look at mutual funds, especially anything that tracks the S&P 500 or a well known benchmark. Index funds [http://wiseupwomen.tamu.edu/glossary-and-index.php?matches=Index+Mutual+Funds] are a great way to go, because they’re so low cost.

But if you’ve done it before and you’re comfortable with it and you’ve got time—you don’t need the money right now—I would definitely go with something that gives you a much better return.
Jane Walstedt:  Becky, do you have a retirement plan at work?

Becky Cruz:  I do.

Jane Walstedt:  And do you participate?

Becky Cruz:  Oh yes.

Jane Walstedt:  Yes.  So do you have any choice within that retirement plan?

Becky Cruz:  It’s the investment board for the state, and it’s doing really great.

Jane Walstedt:  So, you don’t have a choice of investments within that retirement plan or you do?

Becky Cruz:  Yes I do, but I don’t handle it myself.  I let them do it.

Jane Walstedt:  Yes.  Okay.

Erika Safran:  If I may comment about the savings bonds, those savings bonds are certainly one of the safest places to invest your money.  My concern about savings bonds is number one, they’re not liquid.

Becky Cruz:  Yes.

Erika Safran:  Number two, they’re not marketable.

Becky Cruz:  Okay.
Erika Safran: [If] you want to cash in your bond, you have to keep them, you have to print out the list from the website, then you have to go and take them in to a bank if you want to redeem them. Especially for families who have a lot of bonds, I’ve seen situations where one family member dies, and it takes five months to weed through the various bonds, many of which may no longer be paying interest.

So though there are tax benefits to savings bonds, because they’re exempt from state and local taxes, and you might be able to redeem the - of course you’re able to redeem the - defer the taxes on the bonds, but there really are so many other better more liquid investments, more marketable investments, for the long-term. And I agree with everything Rebecca said. So thank you.

Rebecca Schreiber: You might want to consider a Roth IRA [http://wiseupwomen.tamu.edu/glossary-and-index.php?matches=Roth+IRA] since you’re working. And that might be a good place to start, because you can always pull the money out if you find that there’s an emergency.

Jane Walstedt: Are you familiar with the Roth IRA, Becky?

Becky Cruz: No, but I can find out information.

Jane Walstedt: Well, Rebecca could probably just briefly tell you what a Roth IRA is.

Becky Cruz: Okay.

Rebecca Schreiber: A Roth IRA is a great way to save for retirement because the money that you put into it is after tax money. So the IRS has already gotten their taxes, and they’re far fewer strings in using that money before age 59 ½ if you have to. Now the great thing about a Roth IRA, as I said before, any money that you put into it after taxes, you can always take out at any time if there’s some
sort of emergency. [Editor’s Note: Internal Revenue Service Publication 590 lists the situations under which you may not have to pay a 10% tax on early distributions. These include if you use the distribution to pay certain qualified first-time homebuyer amounts, you are paying medical insurance premiums after losing your job, or you have significant unreimbursed medical expenses. See www.irs.gov/publications/p590/ch02.html#d0e10552.]

And it’s just…it’s a great place to save for the future. You have opportunities to use some of that money for, you know, to pay health insurance if you’re unemployed or to use some of that money to purchase a home.

And what’s excellent about it is that you never have to roll it over. An IRA is an individual retirement account, and it was originally created to give people who didn’t have retirement plans at work the opportunity to save their own money for the future. So it’s something that you never have to roll over [into another type of retirement account]. It stays there through your whole life.

You don’t…there also aren’t any required minimum distributions [you aren’t required to take any minimum amount out at a particular age], which means that if you find that you’ve done so well over the course of your life that you don’t actually have to start spending the money when you turn age 70 ½ or 71 ½, then you don’t have to.

And so it gives you a lot of flexibility. You never have to roll it over. And if you do it with…through a discount broker like Fidelity or Schwab or ShareBuilder, then the costs will be really low too. If you put that money into a Roth IRA, the limits [on what you can contribute] for the year are $5000 if you are under age 50.

[Editor’s Note: According to Internal Revenue Service (IRS) Publication 590, for 2008 if contributions on your behalf were made only to Roth IRAs, your
contribution limit will generally be the lesser of $5,000 or your taxable compensation for the year. If you were age 50 or older before 2009 and contributions on your behalf were made only to a Roth IRA, your contribution limit for 2008 will generally be the lesser of $6,000 or your taxable compensation for the year. Additional information on Individual Retirement Arrangements, including Roth IRAs and Traditional IRAs, can be found in Publication 590 on the Internal Revenue Service Web site at www.irs.gov/publications/p590/index.html.

And look at index funds. Look at low-cost index funds. You know, enjoy the market growth that you’ve seen in your retirement account [with the state]. And you can even try to mirror the investments that are in your retirement account, you know, if that fund’s doing really well. The people who are picking [investments for] that fund know what they’re doing, [so] then why not copy and…copy them and build on their success? That’s how the mutual fund industry works. [Information on how the Washington State Investment Board allocates the investments for state retirement funds can be found at the Board’s Web site at www.sib.wa.gov.]

Jane Walstedt: And you don’t pay taxes on the…on what you earn on the money you put in, right?

Rebecca Schreiber: That’s…once you start using the money after age 59 ½ - there’s certain ways you can do it before age 59 ½, but the account does need to be open for five years. Yes, that is the main goal of…the main benefit of the Roth IRA is that the money that’s in there -- the actual balance that shows up on your screen -- is the amount that you have to spend.

With a traditional IRA, with a 401(k) plan, that money - then you have to pay taxes on it. So whatever the tax situation at the time, you know, you’d have to consider.
Jane Walstedt: You have to pay taxes when you take it out.

Rebecca Schreiber: When you take it out.

Jane Walstedt: Yes.

Rebecca Schreiber: But with a Roth IRA, you don’t have to pay taxes on the money that you’ve taken out, assuming that you abided by their rules.

Jane Walstedt: You pay the taxes up front and then you don’t pay them on what you earn, right?

Rebecca Schreiber: Exactly.

Erika Safran: It’s...

Rebecca Schreiber: All those earnings you get to enjoy tax free.

Jane Walstedt: Erika is that you that was...

Erika Safran: Yes, sorry. I…with a…I just want to clarify. You don’t pay taxes when you make the Roth IRA investment. So it’s not so much that you pay the taxes up front for it. It’s just…this is your regular after tax income that you receive and you opt to invest it into a Roth IRA. [Editor’s Note: According to IRS Publication 590, unlike a traditional IRA, you cannot deduct contributions to a Roth IRA from your taxes; however, if you satisfy the requirements, qualified distributions are tax free.]

What I’d like to clarify is that there are some income limits for contributing to a Roth IRA. And if you’re married and you file jointly and you earn I believe
more than $170 [thousand], $165,000, then you’re not eligible [to contribute
to a Roth IRA]. And if you’re single and you earn I think more than $110
[thousand], $115 [thousand] -- I’m not sure of the exact numbers-- but if you
earn more than $115,000 then you’re also not eligible. [Editor’s Note: For
2007, the income limits for those who were married filing jointly or qualified
widow(er) were $166,000 ($169,000 for 2008) and for those who were single,
head of household, or married filing separately they were $114,000 ($116,000
in 2008). See IRS Publication 590 for more detailed information.]

Jane Walstedt: Thank you, Erika.

Erika Safran: You’re welcome.

Jane Walstedt: Okay. Calvin, do we have another question?

Coordinator: Yes.

Warren Strauss: I just want to add something about that IRA business. May I?


Warren Strauss: Because the Roth IRA is one of my favorite…it’s my most favorite retirement
vehicle. IRAs, 401(k)s, think of them as just a way to segregate like a bucket
of money for when you’re retired, when you’re over 60 years old.

Let’s not try to figure out what the tax law is going to look like in the future,
but what we know right now is that with a 401(k) or a traditional IRA -- in
fact any retirement vehicle other than a Roth IRA -- the taxpayer is required to
begin withdrawing money no later than the year after the taxpayer turns 70 ½.
So about age 71 you have to start taking money out. There’s a minimum
amount you have to take out. There’s tables at the IRS website that show you how much you have to take out.

With the Roth IRA -- and someone used the word minimum required distribution -- with the Roth IRA, there is none. And that can really be very important. If you’re young now and you’re funding an IRA, particularly a Roth IRA, by the time you’re in your 60s, 70s, those numbers can become… the value in the account can become extraordinarily large.

And you may not even need the money that’s in there, because many people very often don’t, and they don’t want to take it out, but they’re forced to take it out by the rules, and it creates other problems. It makes your Social Security income taxable. It puts you into a higher [tax] bracket.

So the advice that you heard from Rebecca to use a Roth IRA is terrific advice. It’s definitely something to look into and to use, because if you don’t want to take the money out, you don’t have to. Thank you.

Jane Walstedt: Thanks, Warren. I know that by my watch it’s quarter after, and I don’t know how much time the listeners have. Calvin, how many more questions are in the queue?

Coordinator: I have one question in the queue.

Jane Walstedt: All right, let’s take that last question then.

Coordinator: Our last question comes from Antoinette Grady. You may ask your question.

Antoinette Grady: Hi. Good afternoon. I already have a credit card and I want to establish really good credit for myself. What other way, what other vehicles can I use to establish a good credit report for me other than having a Visa credit card?
Jane Walstedt: Who would like to answer that?

Warren Strauss: Well, I’ll answer that. Always pay your…all of your payments -- everything - - on time, and don’t pay anything late. If it happens…by the way, if it happens, and for some reason you do pay something late, you - like a credit card--you know in the next billing cycle they’re going to hit you with a late payment fee or a finance charge. You can call them up and say, “Gee, you know, I stay pretty current. Can you help me out on this late payment fee?” And very often they will reverse the fee.

But if you have electricity, telephone, rent, if you get a copy of your credit report, all of these vendors report to Experian and the other credit services on your payment history, and they’ll all show that you’re running things on time. And that gives you a high credit score, and that’s all you need.

Jane Walstedt: Rebecca, you looked like you wanted to add something here.

Rebecca Schreiber: Well, I also wanted to mention that the score…the company that creates the score is changing the way that they view people’s credit card information to allow for the healthy habits that they have outside of their credit card relationship.

Because a lot of people, the first time, you know, for a lot of people the first time they get into debt is when they’re taking out student loans. But some people don’t. And what they find is, you know…and they might also stay away from credit cards just because they don’t like the idea of it. And then they try to get a mortgage. And the problem is they’ve got a low credit score because they’ve never…they have never communicated…they’ve never had the opportunity, you know, to borrow money and pay it back.
And lenders want to see a history of reliable, predictable borrowing. And if you’ve never borrowed before, you’re going to have a low credit score because you’ve never been able to show them that you’d be a responsible borrower.

So FICO really - the Fair Isaac and Company--which is the company that computes that score based on your credit information, they are expanding that formula to include do you pay your utilities on time, if your checking account is in the green. So there are other areas of your life, you know, that if they’re positive, if they’re consistent, you know, with your good behavior, that will be reflected in your credit score. And this is a very recent change, I think, in the last six months.

Jane Walstedt: Okay. Erika, do you want to add anything or will you let that stand? Erika?

Erika Safran: Hello. I’m so sorry. I put on mute while someone’s speaking so that I’m… don’t interrupt.

Jane Walstedt: Okay, before we close the call, did you want to add anything on that question or not?

Erika Safran: No, yes I heard you. I heard you. I’m sorry. It was me you didn’t hear. I agree with what the participants--I’m sorry--with what Rebecca and Warren are saying.

My question would be, “Is there a reason that you need to establish credit?” because it actually is possible to live your life and do what you need to do with that one credit card. So there…you may not have to go out of your way to establish a large credit profile unless you have large objectives.
You may just stay exactly the way you are and make sure that you’re using your credit card wisely and not outside of what your budget responsibilities are.