FINANCIAL PLANNING ASSOCIATION

Secrets to Maintaining a Healthy Credit Score

There are all kinds of ways to measure health. But beyond cholesterol count, blood pressure and body mass index, do not discount the importance of credit score to your overall financial well-being.

In the credit-based world we live in, there is no denying the impact, positive and negative, this complex mathematical formula has on our lives, from getting a loan to getting a credit card to getting a job. In fact, just about any entity with which you want to do business is apt to judge you, at least in part, on your credit score. So yours better be in top condition.

Here, courtesy of the Financial Planning Association in Denver, Colo., comes advice on keeping a healthy credit score:

Know your score. Request a free credit report from www.annualcreditreport.com (1-877-322-8228). Review the report for inconsistencies and other issues that need addressing. Then request your credit score from at least one of the major credit bureaus: Experian (www.experian.com; 1-888-397-3742), Equifax (www.equifax.com; 1-800-685-1111) and/or TransUnion (www.transunion.com; 1-800-888-4213).

Know what it is and how it is calculated. Credit score is used by lenders to help determine whether a person qualifies for credit, based on an assessment of the individual's ability to pay off their debts. The higher one's credit score, the lower the credit risk they present to lenders. Credit scores are calculated from data in five categories. Payment history (on bills, loans, etc.) and amounts owed (credit balances) account for about two-thirds of the score; length of credit history, new credit and types of credit used comprise the rest. Credit scores range from 300 to 850. A score of 750 or higher is considered "excellent"; 720 to 749, "very good"; 660 to 719, "good"; 620 to 659, "fair"; and 619 or lower, "poor."

Know why it matters. Credit score is not just a factor in determining *whether* you get a loan or a line of credit, it often determines how much you will pay for credit (the better your credit score, the lower your interest rate, for instance). So having a healthy score can save you money.

Know how to maintain a healthy score. Here are some tips:

1. **Pay bills on time.** Nothing impacts a credit score more than your bill-paying history and habits. And no bill is too small to overlook. "Even a single skipped bill to the utility company can ding you," said Kevin Reardon CFP®, a financial planner, at Shakespeare Wealth Management in Pewaukee, Wis.
2. **Automate**. If you struggle to pay bills on time, set up your online banking to make automatic bill payments or provide payment reminders.
3. **Instead of skipping a payment altogether, make a late or short payment.**
4. **After a late or missed payment, get, and stay, current.** Positive payment patterns going forward can overshadow a past payment problem.
5. **Keep credit card balances low and avoid maxing out cards.** Carrying a high level of debt likely will hurt your credit score. Maxing out your available credit surely will.
6. **Pay down your debt** over time.

7. **Think twice before closing the accounts of credit cards you do not use.** Closing credit accounts may actually lower your credit score. If you plan to close an account, start with one you opened recently, and for the sake of credit history, leave your oldest credit card account open.
8. **Do not open a bunch of new credit accounts at once.** It can lower your credit score.
9. **Protect your personal information**, like social security, credit card and bank account numbers. Identity theft is a real and growing threat to much more than your credit score. So, according to Reardon, it is worth considering subscribing to a service that monitors people's credit reports to identify signs of identity theft.

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A Financially Engaged Woman is an Empowered Woman

Like an old black-and-white TV rerun of *Leave It to Beaver*, many of us remember a time when women ran the household, but not the household finances. Times sure have changed.

Indeed, in revisiting a decade-old study, *Financial Experience & Behaviors Among Women*, Prudential found in 2010 that women in just 10 years' time have become "more aware, engaged, and actively involved in their finances." Today, according to the study, 95 percent of women are financial decision-makers, while 84 percent of married women are either solely or jointly responsible for household financial decisions.

Yet according to Prudential, the growing financial empowerment among females is tempered by "gaps in their knowledge and confidence" about finances." What is more, said Amy Hoffman, CFP, a financial planner at Advisers Financial in Falls Church, Va., when it comes to household finances, vestiges of *Leave It to Beaver*-era roles linger. "Women a lot of times are left out of the finance conversation."

There are compelling reasons for women to get involved in that conversation if they are not already, Hoffman asserts. For one, she said, women tend to live longer than their male partners. "They need to prepare themselves because there may come a time where they will need to take charge of their finances."

It is also empowering. Having a role in managing household finances means "you control your own destiny. You are the captain of your own ship," said Hoffman.

How, then, can women continue the momentum of the last decade by becoming more conversant, and more involved, in household finances? Where there is a will, there is a way:

• **WADE IN** without stepping on toes**.** "Start by asking your spouse questions about finances," suggests Hoffman, "not in a threatening way, but in a way that lets him know you are interested in getting involved." Or use discussions you and your husband have with your children about finances to open doors to you becoming more involved. If you are at a loss for how to approach your spouse, get suggestions from a financial planner. Find one in your area by searching the Financial Planning Association's national database at http://www.fpanet.org/PlannerSearch/PlannerSearch.aspx.

• **WISE UP**. "Education is a big piece in giving a woman financial confidence," said Hoffman. Examine investment and bank statements to get a snapshot of your financial picture. Ask questions of a financial planner, family members and friends who are financially savvy. Read and research topics you are interested in, online and with books such as Eleanor Blayney's *Women's Worth*.

• **TAKE STEPS** to get comfortable with financial responsibility, such as by tracking household expenses and devising a family spending plan.

• **SIT DOWN** with your spouse specifically to discuss the dynamics of a household financial partnership. Here is a good time to divide duties, too. One person can take on the insurance portfolio, for example, while the other handles the retirement plan (with one another's input, of course!).

• **CARVE OUT** some cash that is entirely yours to manage. "It is important," said Hoffman, "for everyone to have a little of their own money that is all theirs to control."

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Be Wise at Work: Use Open Enrollment to Your Benefit

Football. Fall foliage. Falling temperatures. Autumn has arrived, and with it a golden opportunity for members of the American workforce to maximize their employee benefits.

For many employees, open enrollment season for workplace benefits represents their only chance to assess and adjust their current benefits for the year ahead so they best meet their needs and their budget. “You want to take advantage of all you are offered at work,” said Philip Herzberg, CFP, MSF, a South Florida financial planner, “and taking advantage of your benefits options requires careful thought. This is no time to go through the motions.”

Circumstances change from year to year, as do the benefits employers offer. The last thing you want is an ill-fitting benefits package that does not cover you and your family when you need that coverage most. By making an effort to actively engage in the benefits selection process, said Herzberg, you put yourself in position to make smart choices about insurance, retirement savings and other key aspects of your life and livelihood. Otherwise, those choices could be made for you.

So instead of just signing on the dotted line come open enrollment time, here are suggestions from financial planning experts on how to build a benefits package that is right for you:

Get smart(er): Learn all you can about the health, retirement and other plans your company offers. It will require you to plow through some pretty dry, but that is how smart decisions are made.

Find out what is new: “Companies year-to-year may add and subtract from their plans,” said Herzberg. New features such as wellness incentives and a Roth 401(k) retirement savings option may be worth considering if they are offered.

Assess, then adjust accordingly: Changing circumstances such as marriage, the birth of a child and health issues may warrant changes to your benefits package. The arrival of a child, for example, can suddenly make life insurance and disability insurance coverage a higher priority.

Choose wisely: If the cost of certain benefits is a concern and these days, when isn’t it, you may have to make some tough choices. “Look at the whole spectrum of options,” advised Herzberg, “then identify what is essential and what benefits you may be able to cut out or cut back on.”

And while you are at it: Open enrollment is also a good time to revisit key aspects of your workplace retirement plan and insurance portfolio in light of changing circumstances. Do your retirement plan contributions need adjusting to keep you on track? Is your life insurance and disability insurance adequate?

Ask for advice: Thankfully you do not have to navigate the changeable, complex and often confusing world of employee benefits alone, Herzberg points out. “Once you have done your research, make every effort to talk to a Human Resources professional at your organization about your options. I would also recommend talking to a financial planner, who can help show you how your workplace benefits fit within a broader financial plan."

Check out the Financial Planning Association's national database of financial planning experts at http://www.fpanet.org/PlannerSearch/PlannerSearch.aspx to find a planner in your area.

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