

Foundations
for
Financial
Fitness

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FOUNDATION 6

Credit Care

Have you considered how many areas of your life are impacted by your credit rating? Many people are unaware of the far-reaching impact of their credit score. But regardless of your awareness, your credit rating is silently orchestrating your life and the options available to you in the future.

You are probably aware that a bank's decision whether or not to loan you their money is based in part on your credit rating. This is the case with any loan from any financial institution: mortgage, auto, personal, educational, home equity, credit card, etc. Keep in mind your rating either positively or negatively affects every single aspect of the loan including the loan amount, the interest rate and all payment terms.

But did you know many employers consider a candidate's credit rating as part of their evaluation process? Some may even consider credit ratings in evaluating current employees for promotion. For years, many insurance companies have used an applicant's credit rating as part of their underwriting review process. This includes decisions on renewal premiums for current homeowner as well as auto insurance policyholders. Of course landlords and other leasing agents use this information to determine who will qualify to rent their

property. Several other businesses such as cell phone carriers and various governmental agencies have been known to use a consumer's credit rating in their evaluation process. As this list continues to grow, you can imagine how negative information in your credit file can adversely affect your financial fitness and your life.

Your credit report is your financial résumé. Your reputation with handling your resources is documented here. This report also illustrates your stewardship in handling other people's money. Maintaining a positive and accurate credit report is fundamental to your financial fitness.

Here are seven important steps you should take to keep your credit report clean.

1 - Establish credit wisely. Build a clean credit file by establishing your credit with a small, manageable secured credit card. Contact your credit union or local bank and ask about their secured credit card. Open the account with a credit limit of no more than \$300. Never charge any more on the card than you can pay off at the end of the month you charge it.

This step does require extreme discipline. Unfortunately, many well intended individuals do not possess the necessary self-control. If you know you will not exercise personal restraint, you should delay establishing any credit until you have developed the needed discipline.

2 - Pay your bills on time. This includes your mortgage or rent, utility bills, credit cards, cell phone, student loan, and every other payment. You signed the agreement saying you would pay the bill on time. Your word is your bond. Since you agreed to pay the bill, pay the bill as you agreed. Keep your word.

3 - Live within your means. There is no way for you to live a \$100,000 lifestyle with a \$30,000 annual income! And when you try, you're only fooling yourself. Perhaps you can temporarily camouflage the grave you are digging around yourself. But don't you be deceived. You cannot escape the guaranteed consequences. The day of reckoning is coming. And the