



Financial Planning for the Near Future

FEBRUARY 2016

FEATURED ARTICLE: Understanding Your Credit Score

We all have a credit score. It is not static, it tells our financial story, it makes or breaks many purchase decisions, and it has nothing to do with our wealth. This one number has much control over you, so understanding how it is calculated can help you learn how to improve your credit score and keep it in your desired range.

Credit scoring began with credit card companies. Cards were easy to obtain, and often consumers took advantage of them, missed payments, and left credit card companies with considerable debt. Once credit card companies began scoring consumers, other industries took notice and joined the movement. Soon banks, businesses, and insurance companies were actively using credit scoring to approve consumers for auto loans, business loans, mortgages, and insurance policies. Why insurance policies? Studies have shown that consumers who are late on their bills are the ones most likely to file large insurance claims.

SO HOW IS MY CREDIT SCORE CALCULATED?

The majority (35%) of your credit score is based on your history of paying lenders on time. Lenders include major credit cards, store credit cards, bank loans, car loans, student loans, and mortgages. The next significant portion of your credit score (30%) involves credit utilization. That is a little confusing, basically a comparison is made based on how much you borrowed versus how much you had available to borrow. The next 15% is calculated based on how long you have had credit history (better teach the kids early), 10% of your credit score is based off of the number of new credit applications you have applied for, and the last 10% focuses on the varying types of credit you already are using, such as installment plans, mortgages, etc.

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FREE FEBRUARY WEBINAR:

Making Tax Returns Less Taxing

February 16th

[12-1 pm](#) and [3-4 pm EST](#)

[11-12 am](#) and [2-3 pm CST](#)

[10-11 am](#) and [1-3 pm MST](#)

[9-10 am](#) and [12-1 pm PST](#)

Let us relieve some of the stress of tax returns by tackling common questions and concerns about the filing process. In this webinar, a tax specialist will discuss key decisions and mistakes to avoid with regard to selecting the correct tax forms,

TO REGISTER: Click on the time you would like to attend above.

Or log on to www.HelloE4.com with your username and password.

Click on "UPCOMING WEBINARS" on the homepage and follow the easy instructions.



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WHAT IS A GOOD SCORE?

Scores range from 300 to 850.

- 800 to 850: Exceptional
- 740 to 799: Very Good
- 670 to 739: Good
- 580 to 699: Fair
- Below 580: Poor

Your credit score is more of a report of your credit history, but remember that is only if you use credit for purchases. If you mostly pay cash for everything, avoid credit cards, and do not take out loans, then you haven't sufficiently created your credit blueprint. Without a credit history, you may be very wealthy; however, you probably have a low credit score if any score at all.

WHY IS A GOOD CREDIT SCORE IMPORTANT?

Lenders score you to determine how they want to do business with you. A poor score may indicate to a lender that you are a risk. Being classified as a "risk" may result in you not getting the loan or the credit card, receiving a higher interest rate, or being required to put down a larger down payment on something such as a mortgage or car loan. Consider *Consumer Jack* with a credit score of 650 versus *Consumer Veronica* with a credit score of 760. Credit analysts estimate that based on a \$200,000 mortgage example, *Consumer Jack* would pay approximately \$125 more every month than *Consumer Veronica*, which in turn results in \$45,000 over 30 years. \$45,000, that's a substantial amount of money.

HOW CAN I RAISE MY CREDIT SCORE?

Pay your bills on time, eliminate debt, and check your score every year to ensure there are no errors on your credit history. You are entitled to a free credit report every year. Go to www.annualcreditreport.com, or contact one of the three main credit bureaus for your report: Equifax, Experian, or TransUnion. Specifics for each credit bureau are online.

Information is powerful. Now that you better understand your score, you are well equipped to improve it!

SOURCES:

<http://www.usatoday.com/story/money/personalfinance/2015/11/15/cnbc-avoid-credit-pain/75721642/>, "Millennials: How You Can Avoid Credit Pain."
<http://www.usatoday.com/story/money/personalfinance/2015/11/15/cnbc-avoid-credit-pain/75721642/>, "Millennials: How You Can Avoid Credit Pain"
<http://abcnews.go.com/Business/Economy/story?id=7079660&page=1>, "How is Your Credit Score Calculated?"
<http://www.federalreserve.gov/creditreports/>, "Credit Reports and Credit Scores"

THIS MONTH, LET E4 HEALTH BE YOUR RESOURCE FOR:

- Counseling for any issue that's causing you or your family financial stress
- Online learning via our webinar, "Making Tax Returns Less Taxing" on Tuesday, February 16th
- 30-minute consultation with a qualified financial specialist
- Online articles and tips on a range of financial topics
- Access to money-saving discounts at the Savings Center
- Resources and referrals to financial services in your area

ALWAYS AVAILABLE ALWAYS CONFIDENTIAL

For whatever work or life issue is on your mind, or for anything related to daily living that you could use some extra help with, let E4 Health be your resource. It's free, it's confidential, and it's available to you, as well as your family and household members. Just call or log on to get started.

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