

July 2017



W. James Steen, CFP®
jim@petrafin.com

Jason A. Pearson, CFP®
jason@petrafin.com

(O) 937.294.9000
www.petrafinancialsolutions.com

The 10 “Never-Break” Rules of Good Credit

WHY NOT

LONGER? - As of the end of fiscal year 2017 (i.e., 9/30/17), only 14.2% of the outstanding debt of the US will be greater than 10 years in length based upon “original issuance type” (source: Treasury Department).

I’VE BEEN BUSY -

31% of American workers surveyed have accumulated no money for their retirement either on a pre-tax basis or a post-tax basis (source: Social Security).

Some rules are meant to be broken – like not wearing white after Labor Day. Others should remain sacrosanct, such as the rules of good credit. Those are the kind of rules that can make life easier and happier when you follow them and help ensure your finances stay in good order.

Unlike fashion rules, the rules of good credit are really not subject to interpretation or personal opinion. They derive from the same formula credit bureaus and lenders use to calculate your credit score.

So what are the 10 unbreakable rules of good credit? Here they are in descending order:

10. Create a budget and stick to it. Your budget should cover everyday expenses and allow for the smart use of credit.

9. Use credit cards wisely. Smart uses of revolving credit such as not carrying a balance or paying the full balance immediately are important components of a healthy credit score. Unwise use, such as running up debt, can lower your score.

8. Pay more than the minimum balance on your credit cards. Ideally, you would pay off the entire balance right away, but if that is not possible, pay more than the minimum – as much as you can afford. Paying only the minimum balance means it will take years with interest charges to pay off your debt.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Securities and Advisory Services offered through Cetera Advisors LLC, member FINRA, SIPC. Petra Financial Solution is not affiliated with Cetera Advisors LLC., Petra Financial Solutions, Inc. 3055 Kettering Blvd., Suite 218. Dayton, OH 45439. Source: BGM, Inc.


Financial Solutions, Inc.

July 2017

JOBS - In July 2009 there were 14.6 million unemployed Americans and 2.2 million job openings. In April 2017 there were 7.1 million unemployed Americans and 6.0 million job openings (source: Department of Labor).

BUILDING NEW HOMES - Permits for the construction of 6.14 million single family homes were issued during the 4 years of 2003-2006. Permits for the construction of 6.08 million single family homes were issued during the 10 years of 2007-2016 (source: Joint Center for Housing Studies of Harvard University).

7. When applying for a loan, which includes applying for new credit cards, do so wisely. Comparison shop and make your applications (if you'll be making more than one) in a short amount of time, so that those credit inquiries will only count against your credit score once. Stretching applications over time, or making too many in a short amount of time, can negatively impact your credit score.
6. Your credit utilization ratio – the amount you owe compared to the amount of credit you have available – is a key factor in determining your credit score. Avoid maxing out your credit cards or home equity lines of credit. At any given time, try to keep three quarters to two thirds of your total available credit free for use.
5. Don't immediately close a credit card account just because it's paid off. Doing so can skew your credit utilization ratio. Before you close an account, be sure you understand what impact, if any, the action will have on your credit score.
4. Practice identity theft protection measures. From shredding sensitive paper documents before trashing them, to keeping your PC's virus protection software up to date, it's important to take steps to protect your credit from identity theft and fraud.
3. If you're in financial trouble, don't practice avoidance. If you can't pay your bills, contact your creditors to work out a payment plan, but know that not making minimum payments may negatively impact your credit score. Being proactive may not solve your financial woes but it can help minimize the negative impact on your credit.
2. Keep an eye on your credit score. Maybe you are in the habit of reviewing your credit report once a year, or only check it when you are planning to apply for a loan. But it is important to stay on top of your credit score. Fortunately, the Internet has made it easy to monitor your credit report and score.

And, the number 1 rule of good credit:

1. Pay your bills on time. A consistent, long-term history of timely bill paying goes a long way toward a healthy credit score. In fact, a solid payment history can pull up your score even if there are other negatives on your credit report, such as a high ratio of credit used to credit available. Not paying your bills on time – or at all – is a surefire recipe for bad credit.

Whether you're considering to buy your dream home this summer, or maybe looking to get that speed boat you've always wanted, having good credit can surely help that dream become a reality. So keep an eye on these 10 rules as you make your financial decisions.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Securities and Advisory Services offered through Cetera Advisors LLC, member FINRA, SIPC. Petra Financial Solution is not affiliated with Cetera Advisors LLC., Petra Financial Solutions, Inc. 3055 Kettering Blvd., Suite 218. Dayton, OH 45439. Source: BGM, Inc.

