



YOUR FINANCIAL FUTURE

Your Guide to Life Planning

July 2017



Chris Dumford CFP®, AIF®

Horizon Wealth Management
699 Hampshire Rd
Suite 201
Westlake Village, CA 91361
805-446-2868
cdumford@horizonwm.com
www.horizonwm.com

CA Insurance Lic# 0A11543
www.linkedin.com/in/chrisdumford/

In This Issue

Understanding and Managing Your Credit Score

Your credit score is a critical piece of information that lenders use to determine how creditworthy you might be. Knowing your score -- and what it takes to maintain a healthy score -- is key to your financial outlook.

Financial Capability in the United States: How Do You Stack Up?

The FINRA Investor Education Foundation set out to determine how skilled Americans are at managing their financial lives. Details of their research is shared here.

As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Understanding and Managing Your Credit Score

Your credit score is a number that lenders use to gauge how likely you will be to repay your debts on time. As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Your FICO® Score: The Standard Measure

The FICO® Score (an acronym for its creators, the Fair Isaac Corporation) is a standard gauge lenders use to measure a consumer's credit risk. According to myFICO.com, 90% of top lenders use FICO scores when making lending decisions. A typical credit score will range between 300 and 850 points. Although all lenders make decisions based on the particulars of the lending situation, generally speaking, the higher your credit score, the lower the perceived risk to the lender, the more attractive the interest rate you may be offered, and the more money you may save over time.

For instance, at current rates, a borrower with a credit score of between 760 and 850 can expect to pay a rate of 3.174% on a 30-year, \$200,000 fixed-rate mortgage, according to myFICO.com's Loan Savings Calculator. By contrast, an individual with a score of between 620 and 639 can expect a rate of 4.763%, which amounts to an extra \$183 in monthly payments and an additional \$65,797 in total interest paid over the life of the mortgage.¹

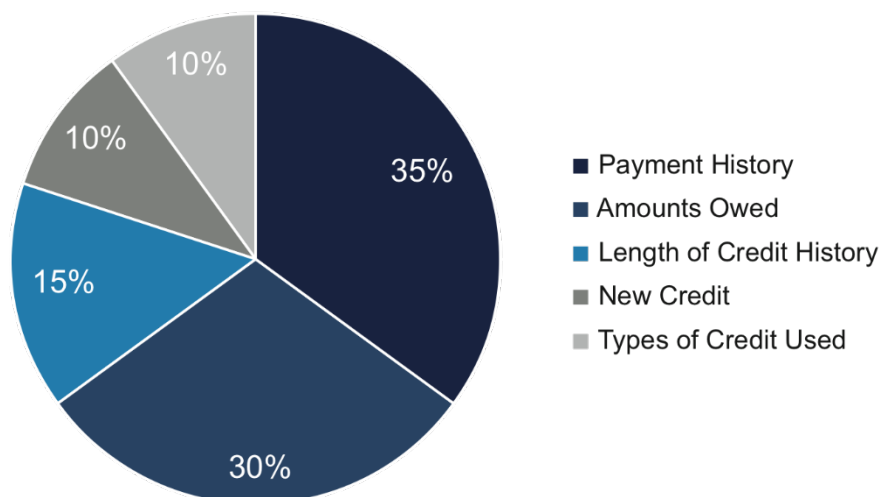
Key Factors

The three major credit reporting agencies -- Equifax, Experian, and TransUnion -- compile credit scores based on information provided by creditors. These agencies generate scores using a proprietary formula that assigns weightings to five main factors:

- **Payment history (whether you have missed or been late with any credit payments).** On-time payments are an important component of your credit score. Using your credit responsibly and paying bills on time are great ways to maintain a good credit score.
- **Credit utilization.** Credit utilization is defined as the total debt you have divided by the total available credit that is available to you. High credit utilization can be a warning sign of credit risk.
- **Length of credit history (how long various accounts have been open).** Credit history is a significant component of your credit score. Accordingly, the average age of your credit cards can be a strong indication of your credit history. Care should be used in keeping old accounts open and in good standing.
- **The amount of new credit on your record.** While opening one new credit card might be normal, opening several in a short span of time could be a warning sign to potential creditors that something is amiss in your financial life.
- **Mix of credit accounts.** Both the total number of credit accounts you have and the mix of credit you have will affect your credit score. A healthy mix of revolving credit cards, charge cards, installment loans and mortgages will also impact your credit score.

What's in a Score?

The percentages in the chart below reflect how important each of the five main categories is in determining how your FICO score is calculated.



Source: myFICO.com (Fair Isaac Corporation), retrieved April 2016.

©2016 DST Systems, Inc. Reproduction in whole or in part prohibited, except by permission. All rights reserved. Not responsible for any errors or omissions.

¹Source: myFICO.com. Interest rates as of October 17, 2016. The rates shown are averages based on thousands of financial lenders, conducted daily by Informa Research Services, Inc.

© 2017 DST Systems Inc. All rights reserved.

1-567516

On many fronts, the financial situation of Americans has improved over the past several years.

Financial Capability in the United States: How Do You Stack Up?

Managing one's personal finances is a complex task that requires focus, judgment, and discipline. There are budgets to maintain, various types of debt to manage, long-term goals to plan for, savings and investments to select and oversee. And in today's uncertain economic environment, keeping all of these components on an even keel takes more than a little skill.

To measure how well Americans are coping with their financial responsibilities, the FINRA Investor Education Foundation sponsors the National Financial Capability Study (NFCS), a multi-year research project first commissioned in 2009, again in 2012, and most recently in 2015, the results of which were published in July 2016.

The NFCS focuses on four key components of financial capability: Making ends meet, planning ahead, managing financial products, and financial knowledge and decision making. Drawing on responses from more than 27,000 American adults from all 50 states and the District of Columbia, the NFCS is one of the largest and most comprehensive financial capability studies in the country.

Key Findings

On many fronts, the financial situation of Americans has improved over the past several years. For instance, when asked about their comfort level with covering expenses and paying bills, nearly half of the respondents -- 48% -- said they "find it not at all difficult," compared with 40% in 2012 and 36% in 2009. Similar improved responses -- 46%, 40%, and 35% respectively -- were tallied when survey participants were asked if they had set aside three months' worth of expenses in an emergency fund. While still improving, fewer numbers of respondents -- 31%, 24%, and 16% -- claimed to be satisfied with their overall financial condition.¹

Demographic Breakdown

When analyzed through a demographic filter, certain groups face heightened struggles in specific areas:¹

Have been late with mortgage payments ...

Millennials (18 to 34-year olds)	29%
Generation-X (35 to 54-year olds)	16%
Baby boomers (55+)	7%

In case of emergency, probably/certainly could not come up with \$2,000 in 30 days ...

High school education or less	45%
Some college	36%
College or more	18%

Have difficulty with medical costs ...

Women	31%
Men	24%

Debt: A Widespread Problem

Overall, debt continues to be a problem for many Americans.¹

- 40% feel they are carrying too much debt.
- 20% have unpaid medical bills.
- 47% of credit card holders carry a balance.
- 22% of credit card holders have been contacted by a collection agency in the past year

Financial Literacy: On Shaky Ground

The 2015 NFCS revealed a deterioration in general financial knowledge among survey participants over previous years. The percentage of individuals considered to have a high level of financial literacy -- meaning they answered four or more questions on a five-question quiz correctly -- has declined steadily since the study's inception. In 2009, 42% of participants answered at least four questions correctly. That percentage dropped to 39% in 2012 and 37% in 2015.¹

Commenting on the findings, FINRA Foundation Chairman Richard Ketchum said, "This research underscores the critical need for innovative strategies to equip consumers with the tools and education required to

effectively manage their financial lives."²

For more on the study or for a state-by-state breakdown of results go to USFinancialCapability.org.

¹FINRA Investor Education Foundation, infographic, *"Financial Capability in the United States 2016," July 12, 2016.*

²FINRA Investor Education Foundation, news release, *"Americans' Financial Capability Growing Stronger, but Not for All Groups: FINRA Foundation Study," July 12, 2016.*

© 2017 DST Systems Inc. All rights reserved.

1-559150

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The financial consultants of Horizon Wealth Management are registered representatives with and Securities are offered through LPL Financial. Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not FDIC/NCUA Insured	Not Bank/Credit Union Guaranteed	May Lose Value
Not Insured by any Federal Government Agency		Not a Bank Deposit

This newsletter was created using [Newsletter OnDemand](#), powered by Wealth Management Systems Inc.