

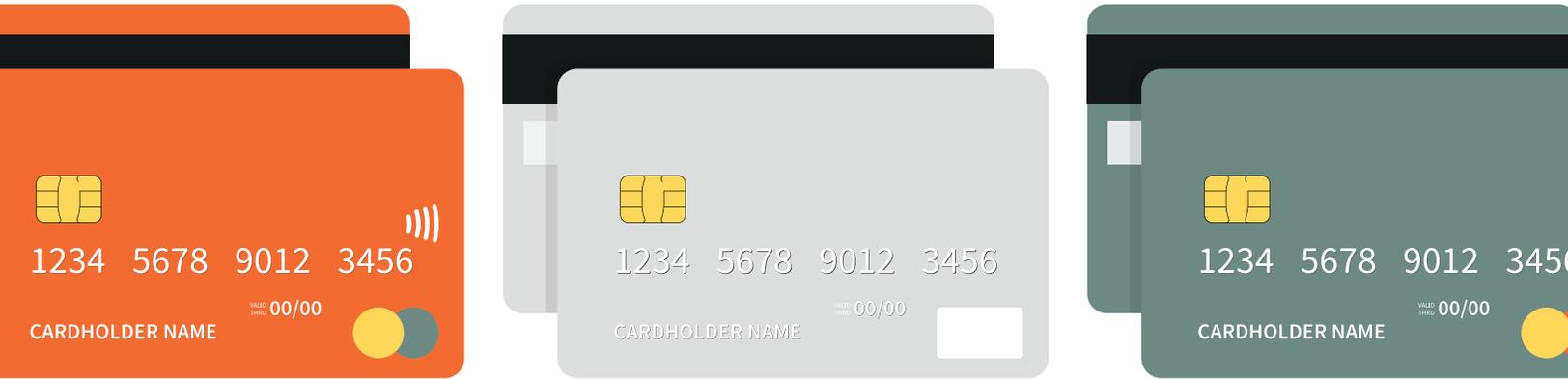


FINANCIAL ACHIEVEMENT SERVICES INC.

THE NAVIGATOR

NEWS FROM TEAM FAS

September, 2019



WHAT IS CREDIT AND WHY IS IT IMPORTANT?

Credit is part of your financial power. It helps you to get the things you need now, like a loan for a car or a credit card, based on your promise to pay later.

There are many types of credit but the two most common are installment credit and revolving credit.

- **Installment** is a loan that is repaid over time with a set number of scheduled payments. A mortgage, for example, is a type of installment loan.
- **Revolving credit** is a type of credit that does not have a fixed number of payments. Credit cards would be a great example of revolving credit.

Having good credit means that you are making regular payments on time, on each of your accounts, until your balance is paid in full. Alternately, bad credit means you have had a hard time holding up your end of the bargain; you may not have paid the full minimum payments or not made payments on time.

HOW DOES MY CREDIT SCORE AFFECT ME?

Negative information generally stays on your credit report for at least seven years. Lenders and other financial agencies, from mortgage companies to insurance agents, use your credit score as an indication of your reliability. A low score is a red flag that tells others you might pose a risk, so they're more likely to charge you a higher interest rate.

HOW DO I GET A CREDIT SCORE AT 18?

First and foremost, it's important to understand the basics of credit. Get a starter credit card like a secured card. Make payments on time and pay off your balance every month. Simply getting a small car loan will help establish your credit. Keep it simple for now. There's no need to jump all in. Take it slow and live and learn.



PRESIDENT'S MESSAGE

MATT ARNOLD, CFP®
President of FAS

Happy 10th Anniversary to the economic expansion!

In July we broke a new record in the USA for the longest period in our nation's history without a recession. Just because we broke the record does not mean we are going to immediately experience an economic turn down. History shows that we might expect a recession every 4 to six years or so but let us not forget Australia is celebrating their 28th year of economic expansion!

So with that information, what should we expect to happen next?

It is said that the "consumer" makes up 70 percent of the horsepower of our economy. If we reflect on this for a moment, here is how it would appear:

We can now purchase a 1 year CD for a rate that is 8 times what we saw a decade ago. If we want to purchase a home we will find that we are not paying above 4% for a mortgage—that is very affordable. Gasoline is not \$4 per gallon—unless you live in California! Then there is the job market where it is fairly safe to say today—if you want one—you can find one—or two. By these points we would conclude the consumer has very little to complain about.

Obviously the next cycle we will experience will be that of a recession. Understating this is important as well as understating that no one has ever had their picture on Fortune or Forbes magazine for being able to accurately predict the timing of a recession. At anytime in a recovery we can find several indicators that cause us to have concern or question what is going to happen next.

That is partly what makes it difficult/impossible to predict markets. Our approach is to not try to predict the timing of the next economic turndown, but rather to be prepared.

So how do we prepare?

- 01** Don't have all your money invested in stocks. This would mostly be directed to those that are nearing or currently in retirement. A diversified portfolio might need to include bonds to lessen the impact of market downturns.
- 02** Understand and being comfortable with the risk level of your portfolio. Today we have even more tools to help our clients understand where their portfolio stands in the range of conservative to aggressive. Another way to say this would be you should not expect a portfolio that is like a Corvette to provide a smooth ride like a Buick in a down turn. Remember that from peak to trough of a recession it is not uncommon to see the stock market go down in value 50% temporarily.
- 03** Be sure you have enough money in reserves or not invested in the market. One might think of this as self insuring your portfolio. If not all your money is invested then that should bring some comfort when the market goes down that you always have money to access without being forced to sell low. Do you have any anticipated large withdraw needs in the next few years that might need to come from the portfolio? If so, this is something we would enjoy talking about.
- 04** Remember that investing is a long term proposition. All economic cycles will be experienced. If you don't sell, you don't lose. This doesn't mean your portfolio won't go down significantly, but history has shown we never have experienced a recession that we haven't recovered from.

So if you have any concerns about your portfolio, your risk level, your reserves, or time horizon, please bring these items up during our reviews. We welcome the opportunity to discuss these topics with you.

Matt

WHAT CREDIT CARD SHOULD I CHOOSE?

Not all credit cards are the same. Make sure you explore all pros and cons of credit cards when choosing the right one for you. See below the different credit cards available to consumers.

 **Reward Cards**—A credit card carrying an incentive or “reward” for use, typically involving cash back, merchandise discounts or frequent flyer points.

 **Low Interest Cards**—One whose annual percentage rate, or APR, is lower than average, saving users money on finance charges they might accrue if they don't pay their balance off in full every month. The current average variable interest rate on all credit cards (as of 9/12/18) is 17.32%.

 **Balance Transfer Card**—A balance transfer occurs when the outstanding balance of one credit card (or several credit cards) is moved to another credit card account. This is often done by consumers looking for a lower interest rate. Many credit card issuers offer introductory balance transfer APRs that are lower than the standard rates.

 **Secured Cards**—is a credit card that requires a refundable deposit in exchange for a credit limit, typically \$200 or more. Most credit cards are unsecured credit cards, which means a security deposit isn't required.

WHAT IS A FICO SCORE?

Credit reports are used to generate a credit score. One of the most commonly used credit scoring formulas is Fair Isaac's FICO score, which ranges from 300 (low) to 850 (high). The higher your score, the more likely you are to be approved for new credit, or offered a lower interest rate. Many factors from your credit history are used to calculate your FICO score. The nationwide consumer credit agencies don't disclose how scores are calculated, so no one knows exactly how they are determined.

THE GOOD AND THE BAD ABOUT CREDIT CARDS.

The Good. Making your payments on time and keeping your balance low on your credit cards help you build a good credit score that you can use to qualify for a mortgage or auto loan. The more you use your credit card, the more rewards you earn.

The Bad. One of the most obvious drawbacks of using a credit card is paying back interest. A high APR can drag you deeper and deeper in debt if you don't pay off your balance quickly.

Bottom line... Don't over spend. Don't put more on your credit card than what you can pay for. Be smart about it... it'll help you not hurt you.

ALERTS:

You may have the option of receiving alerts to transactions the credit card issuer deems suspicious. Your credit card issuer can only detect fraud based on your typical spending habits.

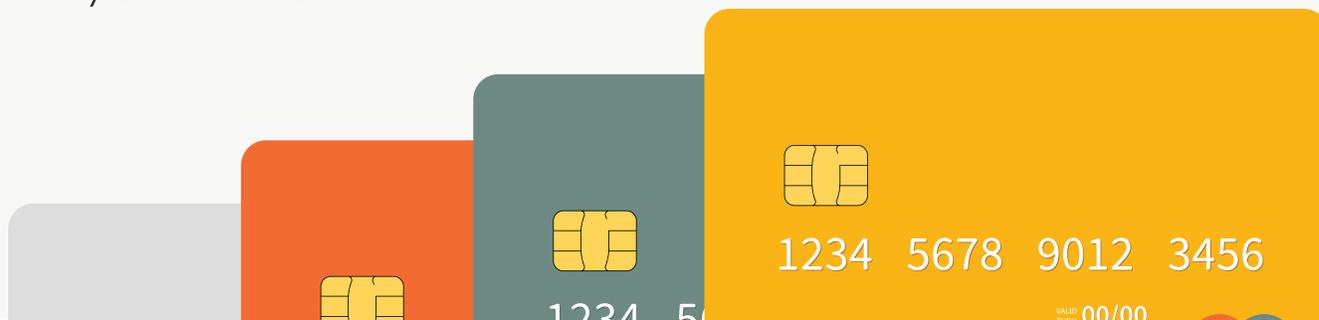
MINIMUM PAYMENT SCENARIO:

Consider a starting balance of \$10,000.

Minimum payments are usually 1-2% of the balance or \$25.00. Whichever is greater. If you payed 2%, or a \$200.00 monthly payment each month it would take 102 months to pay this card off. You'd pay \$10,342 in interest!

MULTIPLE CREDIT CARDS:

We find it a best practice to have several credit cards. Keep one for your everyday household expenses like gas and groceries. We suggest having another for your online shopping. We typically like to see a pretty low credit limit for your online card just incase it gets hacked. And finally, having one card on hand as a backup for “just in case” scenarios is a good idea.



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WHAT'S HAPPENING AT FAS?



Peggy Foutz



Phillip Pierri



Nick Burns



Please help us send a big congratulations to Peggy Foutz for being named Darke County Chamber of Commerce Citizen of the year!



Phillip Pierri recently passed his Series 24 exam. Congratulations Phillip!



Nick Burns recently passed his Series 51 exam. Congrats Nick!



Another successful BBQ and Blues event was held in July benefiting Darke County Center for the Arts.



We ran with the dogs in April to support the Darke County Animal Shelter.



In May we supported the YOLO Festival of Races, which benefits numerous area community projects.

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