MoneyLink

Your Link to Meaningful Wealth Accumulation

"How Much Can Poor Credit Really Cost Me?"

Third Quarter, 2014

Plenty.

And if there's any question about the clarity of that answer, try this on for size:

Much, much more than you ever want to pay.

Consider this:

For most of us, the quality of life we experience in our later lives depends upon how well we manage "the margin" now.

What is "the margin"?

The margin is the amount of resources that we can pay forward during our most financially productive years. It's about setting aside that "margin" of 4% or 6% or 10% or more during seasons when you're able to earn and accumulate money. Then you manage that "margin" so that, independent of your sweat and work schedule, those dollars are able to multiply and grow into meaningful wealth.

In other words, accomplishing your dreams later in life comes down to making sure you have "left over dollars" NOW, that you invest those "left over dollars" wisely, and that you have time for them to mature and multiply into real wealth.

The real cost of poor credit is this: it robs you of that critical "margin." It literally eats your quality of life.

How so?

Consider again:

With poor credit, you will likely pay more -- sometimes much more -- for your housing, car loans, car insurance, education loans, cell phone services and elective medical procedures. Furthermore, while prospective employers are barred by law from asking you about your age or sexual orientation or health, they can and will check your credit standing. And, as if all that's not enough, the stress of credit issues is often listed among top contributing factors in divorce proceedings.

So let's see...

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Vital Issues for You to Consider:

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"How Much Can Poor Credit Really Cost Me?"

The truth is that poor credit can impact where you live, what you drive, where you and your kids go to school, what you pay for phone service and utilities, maybe where you work and perhaps even how long you live.

Need some particulars?

Did you know that car insurance companies may charge 20% to 50% more based upon your credit score? Or that they check your credit upon initial enrollment and then, very often, every three years you remain insured?

Did you know that poor credit can trigger interest rates on car loans that are up to THREE TIMES what people with good credit pay? Or that the car price itself may be marked up as much as 3.5% because of your poor credit?

Did you know the deposit you pay on rental property may be jacked up as a result of your poor credit score? That the same rule may apply to your utility deposit? And that three or four points added to your home mortgage because of your poor credit might cost you tens of thousands of dollars?

So what's the solution?

Effectively managing credit is best achieved as part of an over-all financial strategy to accumulate real wealth.

The trick is NOT simply managing credit effectively but then defining, capturing and effectively investing that "margin" which your vigilance and care make available. You can have money simply because you manage your resources more effectively.

That's what we do for people -- work diligently and intelligently with you to capture and redirect dollars into effective wealth strategies.

So, when can we talk about building your dreams? Call us now.

***Source:* (1) Sturgeon, J. *"Bad Credit Hurts in Many Ways"* bankrate.com. 1/1/14 (2) Beers, A. *"The Six Biggest Ways Bad Credit Can Mess Up Your Life"* credit.com. 1/28/13**

"Which Card Should I Pay Down First?"

For years, financial advisors have encouraged people to use the "snowball effect" to pay off credit card debt. Basically that means you eliminate the card with the **smallest balance or highest rate** FIRST. Pay it off. THEN redirect that cost to paying down the next smallest debt or highest rate.

If you need to pump up your credit score, however, **there is a better way!**

This is important: as FICO calculates your score, they inspect NOT only your over-all credit card debt but also the debt on your individual cards and revolving credit accounts.

What they want to see is a "good debt-to-credit ratio."

They want to see that you're only using **30% or less** of the credit limits that your banks have assigned you.

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Is There a Disconnect Here?

36% of American retirees say their taxes in retirement are higher than what they anticipated they would be.

23% of American retirees confess that they never factored the cost of taxes into their own long-term retirement plans.

Source: Lincoln Financial Group, cited by Buschman Vasel, Kathryn, in "4 Tips for Reducing Your Taxes in Retirement," FOXBusiness, 6/6/14

The 2nd Biggest Threat to Your Own Retirement

A huge number of retirees in the United States begin their long-hoped golden days with a firm slap in the face from someone they usually love and honor: Uncle Sam.

Very often, the difference between successful retirement and that constant nagging feeling of lack comes down to one issue: taxes. Many Americans don't see it coming.

According to a survey by Lincoln Financial Group, 36% of retirees find they significantly under-estimated the cost of taxes in retirement, and 23% never factored in the burden of taxes at all! For many people, as they step into what is meant to be a time of rest and reward, Uncle Sam claims as much as 30% of their retirement fund.

WHOA!

So after you've maintained this intimate relationship with your dear old uncle for all of your working years, how do you prevent him from reaching into your pocket in your days of retirement?

#1 Strategize to Reduce Your Expenses as You Go into Retirement!

Call us to review your current status and your hopes for retirement. We'll work with you to lower your expenses before you retire so that, in retirement, Uncle Sam won't demand so much. Structuring both your debt and income wisely may free up thousands and thousands of dollars that you can hold on to and not lose.

#2 Diversify! Diversify!

You will NOT automatically be in a lower tax bracket on the day your boss bids you adieu!

Income from sources like Social Security, property rentals, any taxable brokerage accounts, pensions, bonds and savings may all be subject to taxes at the same rate you currently pay.

You need to review your assets with a qualified professional as part of the planning process!

#3 Build Your Own Asset Liquidity Strategy!

As you draw down your retirement funds, which source you draw from will impact your tax burden. Drawing from the wrong pots first can literally cost you tens of thousands of dollars!

So if Uncle Sam is the SECOND largest threat to your retirement funding, what's the FIRST? What's the greatest threat of all?

YOU are.

Procrastination, inaction, and a stubborn resistance to drawing upon the expertise of trained professionals threatens your retirement far more than Uncle Sam ever will!

To secure your future and the best interests of those you love, don't wait. Call now, and let's sit down together!

Source: **Buschman Vasel, K. *"4 Tips to Reducing Taxes in Retirement"* FOXbusiness. 6/6/14**

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Which Card Should I Pay Down First?"

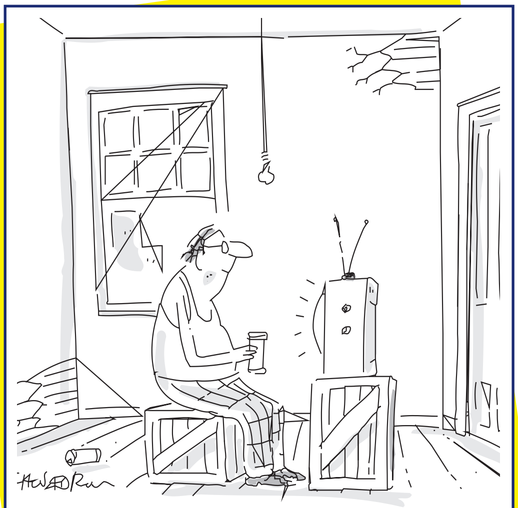
The wiser tactic, then, is to FIRST pay down those cards where you are using MORE than 30% of your available credit.

In practical terms, that means it's generally not wise to "bundle balances" by transferring smaller balances on to a single card. Nor is it optimal to pay off one card before attacking another area of debt.

Managing money well affords you more money to invest. In turn, investing wisely can afford you the resources to make many of your most treasured dreams come true.

Source: **Hayes, A. *"How to Pay Down Credit Cards to Boost Your Credit Score"* US News & World Report. *5/11/14***

Are You Sabotaging Your Own Credit Score?



The quality of Jake's planning eventually had some impact on the quality of his retirement.

How many times have you looked at some well-intentioned sap and thought to yourself, "Wow! He's his own worst enemy!"

Well, when it comes to managing credit, even the well intentioned end up shooting themselves by buying into common assumptions that ding their credit score. Here are a few common mis-steps to avoid:

1. **Don't open retail accounts simply to snag a store discount!**
2. **Don't provoke too many credit checks by "comparison shopping" for big ticket items such as cars or big appliances.**
3. **Don't close all of your old credit card accounts.**
4. **Don't lower your credit limit.**
5. **Don't avoid the use of credit altogether.**

The wise use of credit can substantially strengthen your finances and help you build a successful strategy to accumulate real wealth. Come on! Let's work together to make your future all you hope it will be!

Source: Palmer, K. "Are You Intentionally Damaging Your Credit Score?" U.S. News & World Report. 6/6/14

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