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All I Want for Christmas Is a Good Credit Score

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If you realize it or not, much of our lives are driven by our credit rating. Good credit can score you better interest rates on your credit cards, auto loans, and home loans which translates into direct monthly savings. Credit scores, and more specifically, payment history and debt, can be the determining factor on rental applications and even job opportunities. I recently attended a class by a local Northern Colorado credit expert, Dan Beck with Credit Management Specialists. I came away with some eye-opening credit-saving advice.

Pay your bills people! Nothing can destroy your credit score faster than a missed payment. Did you know that a 30 day delinquent payment can stay on your credit report for 7 years? The more recent a late payment is, the worse your score will be. Help yourself avoid this mistake and get organized. Set up automatic payments or monthly reminders to make sure you don't miss a payment, EVER.

One common misconception is that you can have "too much" credit. Hearing this false information, people request a lower limit on credit cards and trade lines. Defying all logic, lowering your available credit limit can sometimes have a negative effect on your credit score. The credit rating companies look at your debt ratio on your revolving credit lines. Ideally, you should never owe more than 10-20% of your credit limit. For example, if you have a \$1000 credit limit, you should never have a balance of more than \$100-\$200. Using this example, if you reduced your credit limit to \$500 and charged \$200, your debt ratio would be 40%, well above the recommended range, lowering your credit score.

Do you remember the very first credit card you ever opened? Keep it open, even if you don't use it. In the world of credit, age is king. The older a credit line, the better your score. You can certainly open a new credit card to take advantage of double mileage points, just keep your oldest card open to establish credit longevity.

To further your credit cause, avoid consumer debt in the first place. Work to pay down or pay off existing balances on major credit cards and consumer credit cards. If you are shopping for a home loan or a car loan, you have a 45-day window for credit inquiries. Outside of that, avoid too many inquiries into your credit.

In our monetary society, your credit score is a direct representation of your trustworthiness. So as you rack up holiday charges in the spirit of giving, be sure to mind your credit-score manners. Your future financial life just might depend on it.



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