
Ways to Repair Your Credit Score

Weekly Educational Update – January 15, 2020

A good credit score can result in a lower home mortgage rate or a car buying rate. We all try to maintain one. Sometimes, though, life throws us a financial curveball and that score declines. What steps can we take to repair it?

Reduce your credit utilization ratio. Your credit utilization ratio (CUR) is the percentage of a credit card's debt limit you have used up. Simply stated, if you have a credit card with a limit of \$1,500 and you have \$1,300 borrowed on it right now, the CUR for that card is 87%. Carrying lower balances on your credit cards may tilt the CUR in your favor and promotes a better credit score.¹

Review your credit reports for errors. You are entitled to receive one free credit report per year from each of the three major U.S. credit reporting agencies – Equifax, Experian, and TransUnion. You might as well request a report from all three at once. As the federal government's Consumer Financial Protection Bureau notes, you can do this at annualcreditreport.com. About 20% of credit reports contain mistakes. Upon review, some borrowers spot credit card fraud; some notice botched account details or identity errors. At its website, the CFPB offers sample letters and instructions you can use to dispute errors.²

Behavior makes a difference. Credit card issuers, lenders, and credit agencies believe that payment history paints a reliable picture of future borrower behavior. Whether you pay off your balance in full, whether you routinely max out your account each month, the age of your account – these are also factors affecting that portrait.³

Think about getting another credit card. Your CUR is calculated across all your credit card accounts, in respect to your total monthly borrowing limit. So, if you have a \$1,200 balance on a card with a \$1,500 monthly limit and you open two more credit card accounts with \$1,500 monthly limits, you will markedly lower your CUR in the process. There are potential downsides to this move – your credit card accounts will have lower average longevity, and the issuer of the new card will, of course, look at your credit history.¹

Think twice about closing out credit cards. When you realize that your CUR takes all the credit cards you have into account, you see why this may end up being a bad move. If you have \$5,500 in consumer debt among five credit cards that all have the same debt limit, and you close out three of them, accounting for \$1,300 of that revolving debt, you now have \$4,200 among three credit cards. In terms of CUR, you are now using a third of your available credit card balance whereas you once used a fifth.⁴

Beyond that, 15% of your credit score is based on the length of your credit history – how long your accounts have been open and the pattern of use and payments per account. This represents another downside to closing out older, little-used credit cards.³

Alternative credit scoring systems have also emerged. If your credit history has taken a big hit or is spotty, they may end up helping you out. TransUnion’s CreditVision Link, the LexisNexis Risk View Score, and the FICO XD2 and UltraFICO scores compiled by Fair Isaac Co. (FICO) are examples. They introduced new scoring criteria for borrowers who may be creditworthy, but lack sufficient credit history to build a traditional credit score or need to rebuild their scores. Cell phone payments, cable TV payments, property records, and other types of data are used by these systems in order to set a credit score.⁵



“Make the most of yourself by fanning the tiny, inner sparks of possibility into flames of achievement.”

– Gola Meir



Hummus



Serves: 2-4

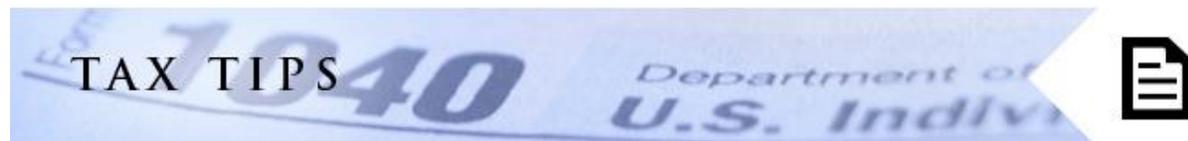
Ingredients:

One 15 oz. can of garbanzo beans (chickpeas), drained
¼ cup of extra virgin olive oil
¼ cup of lime juice
2 Tbsp. tahini
1 (or more, to taste) peeled clove of garlic, or equivalent minced garlic
¼ tsp. cumin
1 tsp. cayenne pepper
1 tsp. paprika

Directions:

1. Combine all ingredients, apart from spices, into blender; blend until smooth.
2. Add spices and blend until evenly distributed.
3. Looking for smoother consistency? Add a tablespoon of water and blend, as desired.
4. Spicier? Add more cayenne, or other spices, to taste.

Recipe adapted from allrecipes.com⁶



Passport Power

Did you know that if you owe \$52,000 or more to the Internal Revenue Service, the IRS can revoke your passport? That's right. Under the Fixing America's Surface Transportation (FAST) Act, the IRS has the power to revoke the passport of any taxpayer owing \$52,000 or more, including penalties and interest.

Notably, if you are currently paying off the debt or are contesting a tax bill in court, you should not be affected. However, anyone under an IRS tax lien could find their ability to travel hampered.

If you have any questions about tax debts or other complex tax issues, contact a qualified attorney or tax specialist.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Adapted from IRS.gov⁷



Avoid Overthinking Greenside Bunker Shots

Getting out of a greenside bunker with a lip of 3' or less is really pretty simple. Some golfers try to micromanage or overthink the shot: they try to pick it off the sand, or they open their stance or their clubface to the point where they are altering their entire swing path.

Focus on basics rather than extremes. Open your stance a few degrees to the left (assuming you play right-handed), aim slightly left of your target, and work your feet into the sand and increase the flex in your knees. You want to come down about 2" behind the ball, accelerating through the impact area, so that you are essentially throwing the ball onto the green on a "carpet" or "spray" of sand. A sand wedge (54-60 degrees of loft) is the right tool for the job.

Tip adapted from Plum Creek Golf⁸



Reduce Your Risk of Getting Sick With One Simple Trick!

During the 2018-2019 flu season, the U.S. Centers for Disease Control and Prevention estimated that nearly 43 million people contracted the flu. The CDC says the best method of flu prevention is receiving the annual vaccine, but handwashing can also significantly reduce your risk of catching the flu as well as other contagious illnesses.

Just 20 seconds of briskly washing your hands with soap and rinsing under running water could lower your overall risk of respiratory illness by around 20%. Gastrointestinal ones, up to 30%. It's fast, easy, convenient, and very inexpensive, yet many of us take this healthy habit for granted. In fact, 81% of us don't regularly wash our hands after using the restroom. Yikes!

While this information should not substitute for medical advice from your health care provider, implementing better habits, like frequent handwashing, may be a good tool to help you and your loved ones stay healthier this flu season.

Tip adapted from Centers for Disease Control and Prevention⁹



Clean Out Electronic Clutter

If you were lucky enough to get an upgraded phone or computer this holiday season, you might not know what to do with the old one. Fortunately, there are many green options to get rid of your old electronics that are also good for the environment.

Old electronics that are still in good working order can be cleared of personal information and either donated or passed on to someone else who can use them.

Electronics not working well enough to be donated? Check out your local area for scheduled electronic waste recycling days. Special recycling centers in your area might also specifically deal with recycling electronics too.

Tip adapted from The Spruce.com¹⁰

Share the Wealth of Knowledge!

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We love being introduced!*

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¹ <https://www.nerdwallet.com/blog/finance/credit-utilization-improving-winning/>

² <https://www.consumerfinance.gov/about-us/blog/common-errors-credit-report-and-how-get-them-fixed/>

³ <https://www.cnbc.com/select/what-is-a-credit-score-and-how-to-check-yours-for-free/>

⁴ <https://www.fool.com/the-ascent/credit-cards/articles/dont-close-that-credit-card-without-asking-yourself-these-6-questions/>

⁵ <https://www.creditcardinsider.com/blog/check-free-fico-score-every-other-free-credit-score/>

⁶ <https://www.allrecipes.com/recipe/240990/simple-spicy-hummus/>

⁷ <https://www.irs.gov/newsroom/individuals-with-significant-tax-debt-should-act-promptly-to-avoid-revocation-of-passports>

⁸ https://www.plumcreekgolf.com/images/tips/Sand_Shots.pdf

⁹ <https://www.cdc.gov/flu/>

¹⁰ <https://www.thespruce.com/get-the-facts-on-recycling-electronics-1708990>