

- ▶ Financial Health
- ▶ Improving Credit Score
- ▶ Protecting Credit in Divorce

## Improve Financial Health in 2012

Why not make 2012 the year you stabilize your finances? Here are some ways to improve your money management skills in the new year.

**Create a budget** – Your budget is your roadmap to financial health. Be honest about how much you're spending and what you're spending it on.

**Track your expenses** – If you set up your budget and it looks good on paper, but you find yourself running out of money at month's end, you might want to track your expenses. Notate in some way everything you spend money on.

**Check your credit report** – Your credit report is an indicator of your financial health. You are eligible to obtain a free report annually from each of the three credit bureaus. Download your report from [www.annualcreditreport.com](http://www.annualcreditreport.com)

**Increase your savings** – An important piece of financial health is having an emergency savings fund to fall back on when disaster strikes.

**Pay down your debt** – Evaluate what kinds of debt you owe. If you have a lot of unsecured debt (like credit cards), figure out what it will take to pay off the cards. Paying down your unsecured debt will likely increase your credit score and provide more financial stability.

**Consider your insurance** – Insurance can often be an expense that is overlooked, but could be necessary for insuring your financial health. Research life insurance and short and long-term disability policies.

Financial New Year's resolutions can be as complex as re-evaluating your entire financial picture or as simple as ending the year with more in savings than when it began. Whatever the case may be, doing something to improve your money management habits and finances is better than doing nothing at all.

## Tips

Tax time is right around the corner. Since April 15th will be here before you know it, now is the time to start gathering your documents and preparing to file your taxes.

- Designate a place to store all necessary tax related documentation as you receive it (i.e., W2 forms, interest statements, receipts, and bank statements).
- Gather all your receipts for your deductions. Review what deductions are allowed and which are not.
- Investigate the Earned Income Tax Credit to see if you qualify.
- If you plan to file your taxes yourself, begin shopping for tax preparation software. Keep in mind, it might be easier to update the software you used last year because it saves your information.



**Q:** I want to focus in 2012 on increasing my credit score. What are the best ways to accomplish my goal?

**A:** Good for you for making this a goal in 2012. Your credit score is an important number. It's based on your credit history and gives credit grantors an idea if you are a good or bad credit risk. Higher credit scores mean you'll get a better rate on loans, from mortgages to car loans. A lower credit score will likely mean higher interest rates on loans, if you're approved.

One of the easiest ways to improve your credit score is to pay your bills and pay them on time. Your payment history is the greatest determining factor when it comes to your credit score.

Another area to focus on is your amount of debt. Say you have four credit cards, each with a \$1,000 credit limit. If your total debt on all the cards combined is \$3,000, that will lower your credit score. Work on paying off the balances on the cards, but keep the cards open. Improve your payment history by charging something and paying it off monthly.

Consider calling Advantage CCS for a credit counseling session. One of our counselors will work with you to develop a budget and educate you on ways to better manage your money.

# Protecting Your Credit in Divorce

Unfortunately, divorce, in some cases, is part of life. Statistics show 41% of first marriages end in divorce. Going through a divorce can be a highly stressful and emotional time. However, it's best to keep emotions in check and keep divorce from ruining your life and your credit.

To prevent financial ruin, it's important to evaluate your income and expenses in light of the loss of your spouse's income. Determine how your living costs will change and plan accordingly. Now is not the time to make any big purchases like a house or a car. Try to keep expenses at a minimum until your divorce is finalized and you have a better understanding of the costs associated with the divorce. For example, attorney fees, spousal support and child support.

As you are going through the divorce, you should check your credit report. Monitor accounts that hold both your and your spouse's name. Continue to pay all bills on time. You may think that by withholding payment, you are hurting your spouse, but you are hurting both of you. Now is not the time to destroy your credit rating. Once your divorce is final, you will need a good credit score if you plan on obtaining credit in your own name or purchasing a home.

Experts suggest the best way to deal with a divorce is to treat it like a business transaction and keep emotions out of financial decisions that need to be made. You might want to stay in your home, but can you really afford to make the mortgage payments? If you're not confident you can, it might not be worth the risk to try.

Protect yourself if your spouse plans on staying in the home.

Suggest he or she refinance the home in order for the mortgage to appear in only his or her name. If that's not possible, contact the mortgage company and request payment information be sent to your new address or request to be notified if the payments fall behind. If your name is going to remain on the mortgage, do not take your name off the deed. Doing so will remove your ownership rights, but not your payment responsibilities. The same philosophy should be used when dealing with a car loan in both of your names.

Attempt to pay off all joint credit card debt. If that's not possible, you and your spouse may want to consider opening credit cards in your own name, then dividing the debt and transferring it to your own cards.

Know your state laws when it comes to property division, consider the future tax implications and negotiate fairly with your spouse.

Your retirement account may also be affected and could be divided between both parties. It's also important to keep in mind your rights when it comes to Social Security benefits. If you were married for at least 10 years, you are eligible to receive spousal benefits if you are 62 or older. You're also eligible for Social Security benefits if your former spouse dies and you were married for at least ten years.

Going through a divorce is difficult. However, it's to your benefit to remove emotion from all financial decisions. It will benefit you in the end.

***The above information should not be considered as legal advice. Please consult with an attorney before making any decisions.***

## Resources

[www.irs.gov](http://www.irs.gov)

[www.advantageccs.org](http://www.advantageccs.org)

<http://onlinebudgetadvisor.com>

[www.bankrate.com](http://www.bankrate.com)

[www.nfcc.org](http://www.nfcc.org)

### The Advantage Challenge

*Advantage CCS challenges you to ...improve your financial health in 2012. Take some of the steps outlined in the article Financial Health in 2012. Create a budget or consider scheduling a credit counseling session with Advantage CCS. One of the agency's certified credit counselors will help you set up a budget and give you suggestions on improving money management. Let us know how you do. Email [hmurray@advantageccs.org](mailto:hmurray@advantageccs.org).*

# Advantage

2403 Sidney St., Suite 400  
Pittsburgh, PA 15203  
(888) 511-2227  
[www.advantageccs.org](http://www.advantageccs.org)

