Advantage advisor

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This issue:

Shopping Seasonally

One way to cut back on expenses incurred throughout the year is to shop seasonally for specific items. Shopping seasonally goes beyond food. There are specific times of the year when certain things go on sale. Purchasing items during those times will help reduce expenses. Here's a list of items that will be going on sale in the upcoming months:

September: School supplies, house wares, bicycles, gardening equipment

October: Fishing equipment, lawn mowers, patio furniture, cars, jeans

November: Appliances, coats, suits, candy, tools

December: Champagne, golf clubs, swimming pools

January: After Christmas sales, furniture, sports equipment, bedding

February: Furniture, rugs, mattresses, used cars

March: Garden supplies, luggage, laundry appliances, ski equipment

April: Women and children's coats, men's and boys' suits

May: Blankets, sportsware, tires

June: Refrigerators, building materials, lumber

July: Shoes, bathing suits

August: Yard tools, lamps, barbeque sets,fans

If you know you have a big purchase coming up, like a new appliance or lawn mower, investigate what time of year you can find the best prices on these items and plan to make your purchase then.

Did you know?

The Fair Issac Company (FICO), the calculator of the most commonly used credit scores, is changing its formula , which may result in some consumers seeing an increase in their credit score. Some of the changes include:

- Less weight will be given to debt tied to medical bills. Currently, medical debt can weigh down a consumer's credit score. Under the new model, it won't hold as much weight as other types of debt. Consumers with significant medical debt on their credit report could see an increase by 25 points.
- FICO will also now ignore old debts with a $0 balance. Paid off collection accounts that are still are on your credit report will no longer be counted against you once they are paid. This may lead to more consumers working with collection agencies to pay off their account.

Even though FICO has released the new model, it may take several years for lenders to have it in place and begin using it to evaluate creditworthiness.

Dear Debt Monkey

Q: I'm hoping to buy a home soon, but I know my credit score needs work. What are steps I should take to improve my creditworthiness?

A: Taking steps to increase your credit score before buying a home is not only a smart thing to do, it's also a way to save yourself thousands and thousands of dollars. On a $125,000 30-year-fixed rate mortgage, a consumer with a credit score in the range of 620-639 could pay as much as $127,000 in interest, which is $42,000 more than a consumer with a credit score in the range of 760-850.

First, if you're carrying balances on your credit cards, pay off the credit cards. According to Bankrate.com, paying off your credit cards over a two month period will increase your score substantially. Another way to increase your score is to make your credit card payments on time. Your bill paying history accounts for 35% of your credit score, so making payments on time will help your score.

To find out exactly where you stand, you will need to check your credit report. Consumers may access their report for free, annually, through www.annualcreditreport.com. However, it does not contain your credit score. Your score can be purchased for around $12 from each of the three credit bureaus. Each score will be different. Lenders typically use the middle score when it comes to evaluating consumers for a mortgage.

If you need assistance in understanding your credit reports and want suggestions on ways to improve your credit score, the Agency offers a session called Credit Report Review. Call **888-511-2227** to schedule an appointment.

Smart Spending at College

For most young adults, college is the first time he or she is handling their own finances. For some, it means a phone call to mom or dad when the checking account is getting low. For others, it means a part time job to help cover additional costs. Whatever the case may be, it's important for young adults to understand the reality of their financial situation and use good judgment when it comes to money matters.

It's important to have a frank discussion with a first year college student about their financial realities. For parents, it's important to determine how much you are willing to subsidize their income? Make sure they understand what your limit is and be honest with how much you're willing help.

Now is the perfect time for a young adult to learn budgeting if they have not yet been exposed to it. Help them figure out what additional expenses they'll have while at school and figure out how much money will be needed to cover those costs. For most students living in a dormitory, food costs are already covered. However, some students may keep some groceries on hand in the room. Also, factor in entertainment costs, such as meals and activities off campus. Determine a reasonable amount for miscellaneous expenses. Estimate additional spending and if possible establish a weekly entertainment budget and live within the limit set.

Most college students access funds through a debit card connected to a checking account. It's important for college students to understand how to keep a checking account in balance. Track expenses and keep a real time accounting of what is in the checking account, not just what the balance says online. College students should understand the balance shown in online banking does not reflect the items that are still outstanding and that have not cleared the account yet. Keeping track of expenses also helps parents and students understand whether or not a part time job is needed to supplement income.

If semester income is coming in the form of a refund check from student loans, consider not accepting the refund. While working part-time is not always ideal for a college student, passing on the semester refunds will save thousands in additional student loan debt and thousands in interest on that debt.

College is also typically when young adults are first exposed to credit cards. However, with the passage of the Credit Card Act in 2010, it's difficult for young adults under the age of 21 to obtain a credit card without a parent co-signing or without demonstrating he or she has significant income. Now is a good time, though, for young adults to begin building a positive credit history. The length of your credit history accounts for ten percent of your credit score and to build credit you have to use credit. It may be a good idea for parents to consider co-signing for a credit card for their college student. It's important to teach them how to use credit responsibly. Encourage them to charge a small amount monthly and pay the bill and pay it on time. Bill paying history has the greatest impact on your credit score. It accounts for 35% of your total score.

Another option for building credit is a secured card, which can be obtained through a bank or credit union. A secured card is tied directly to money held in a savings account, so if the bill is not paid, the money is withdrawn from the savings. The purpose of the card is to allow a consumer, who may be a high risk for an unsecured card, to build a positive credit history through their use of a secured credit card. Before signing up, make sure the bank or credit union does report the payment activity to the credit bureaus.

Resources

www.myfico.com

www.annualcreditreport.com

www.onlinebudgetadvisor.com

www.bankrate.com

The Advantage Challenge

Advantage CCS challenges you to ...check your credit report and if you can, your credit score. Use the website, www.annualcreditreport.com and select your report from one of the three bureaus. If it's in your budget, opt to pay for your score. Examine your credit report to see what you need to work on and to make sure it's correct. Take steps to increase your score and check it again early next year. Let us know what changes you make. Email hmurray@advantageccs.org

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