

Financial Tip #4: Your credit past is your credit future

Credit Card \ kred'-et kãrd \ *n.*: **A means for buying something you don't need, at a price you can't afford, with money you don't have.**

Credit can be a great tool for managing your money. It's convenient and you can use it in case of emergencies. However, if you don't use credit wisely and responsibly it can rapidly evolve into unmanageable debt – putting your chances of financial success at risk.

What you don't know can hurt you

Investigate different credit offers and banks before choosing a financial institution that fits your needs. Pay attention to the interest rates on your credit card and always pay your full balance every month. Don't borrow what you cannot repay.

Here are some tips to consider when using and managing your credit:

- **Request a copy of your credit report** from all three major credit bureaus at least once a year. This is important because credit reports can contain errors about your credit and may indicate identity theft. You are entitled to a free credit report from each credit bureau every year.
- **Know your credit score.** This is when what you don't know can really hurt you! Credit scores and reports are now used to determine the rates you pay on loans and credit cards, your insurance premiums, whether you get a job or an apartment, and how much you have to lay out to get the electricity turned on. You can improve your score by applying for new credit cards sparingly and by using old ones regularly.
- **Know your FICO score.** You can get your credit scores from the three credit bureaus, but they may vary anywhere from 50 to 100 points. The most reliable score is your FICO score, which is an indicator to lenders of your credit risk at a particular point in time. The higher your score, the lower the risk to lenders. Fair Isaac Corporation develops the mathematical formulas used to produce FICO scores. Order your FICO score from www.myfico.com. It costs \$45 – but it's worth it!
- **Avoid bankruptcy.** Bankruptcy is never a good idea – it stays on your credit report for 10 years. In addition, the bankruptcy laws will change after October 1, 2005 offering less protection to most Americans. Once the laws change, you may be required to pay back all or most of your debt – regardless of your income.

Want to learn more about credit and credit card interest rates? Visit the following links for more information:

- www.creditinfo.com
- www.cardratings.com/studentcreditcarddebt.html

Credit Bureau Information

Following are the names and phone numbers of the three major credit bureaus. To get a copy of your free credit report from each one, you will have to request it in writing. For faster results, you can go to their Web sites and purchase copies of your report.

Equifax, Inc.

P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111

<http://www.equifax.com>

Experian

P.O. Box 2104

Allen , Texas 75013-2104

1-888-397-3742

<http://www.experian.com>

Trans Union Corporation

Consumer Disclosure Center

2 Baldwin Place

P.O. Box 1000

Chester , PA 19022

1-800-888-4213

<http://www.transunion.com>

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