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Vol. 2 Issue 44 – Put Your Money Where Your Mouth Is

The Cambridge Online Dictionary describes the phrase *Put Your Money Where Your Mouth Is* as “to show by your actions and not just your words that you support or believe in something.”

When you create a monthly spending plan and actually use it in your day to day financial decisions, you are doing exactly that. You are putting in to action the belief you have to take control of your financial future. How you manage your money directly impacts your ability to meet your present and future needs. There are tools you can use that will help you. Besides creating a workable spending plan, another important part of taking control is to ensure you have a good credit score.

Credit is money you borrow that you intend to repay. When you borrow money from the bank, a business, or a friend, and you agree to pay it back you are using credit. In most situations, there is a fee for borrowing the money – most often in the form of interest. We use credit for a variety of reasons such as buying a car, paying for a college education, starting a business, buying a home, or making household purchases for items that we may not enough money to pay for at the time.

There are advantages and disadvantages to using credit (see inserted table.)

<b>Disadvantages of Credit</b>	<b>Advantages of Credit</b>
Costs money – a fee or interest charged	Allows you to buy costly items that you may not be able to pay cash for
Can tempt you to spend more money that you can afford to repay	A good tool to use in an emergency such as unexpected medical expenses
Requires that you commit to using income you have not earned yet	Convenience – allowing you to pay for things without carrying large amounts of cash
If you miss payments, your creditors will report it to credit bureaus	
Mismanaged credit can lead to the loss of the property or possession you borrowed the money for	
Mismanaged credit can affect your ability to get credit in the future, to get a job, rent an apartment, or buy a house in the future	

Ask yourself the following questions before you use credit to make a purchase:

- Do I need this item, or is it a want?
- Can I wait to purchase this item so that I have all the cash saved to pay for it?
- How much will it cost me to put this item on credit?
- How will paying for this item affect my monthly spending plan?
- Will the item last longer than the amount of time it takes for me to pay it off?
- Would it be a good idea to wait to make my final decision so that I am confident in what I choose to do?

For every dollar you spend today, you are limiting your future financial flexibility. Granted, much of what we spend our money on is a necessity. However, when we use credit to stretch our purchasing power, we have to be aware of the trade-off we are making and the impact it has on our credit rating.

How do you know if you have good credit? Obtaining a copy of your credit report is the best way to know. A credit report is the record of how you have paid your credit card debt and other loans. It also shows your level of debt, payment history, and any defaulted (unpaid) credit that you were unable to pay off. Credit reports are compiled through data-collection agencies called credit bureaus. They collect this data through banks, credit card companies, medical providers, and/or department stores.

These reports are used for a variety of purposes. Potential employers or landlords use them to determine your ability to manage your money. They are a key tool used by lenders in approving loans. For this reason, it is important that you are both aware of your credit rating AND take action that will improve the rating you have.

There are three major credit bureaus used for these purposes. You can obtain a free credit report from each bureau once a year. For a fee, you can purchase additional copies. The contact information for these credit bureaus is:

### **Equifax**

P.O. Box 195873  
Atlanta, GA 30348  
1-800-685-1111  
[www.equifax.com](http://www.equifax.com)

### **Experian**

P.O. Box 2350  
Chatsworth, CA 91212-2350  
1-888-397-3742  
[www.experian.com](http://www.experian.com)

## **Trans Union Corporation**

P.O. Box 390

Springfield, PA 19064-0390

1-800-916-8800

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

It is important for you to review a copy of your credit report each year. You want to make sure your report reflects your credit history accurately. This is also important in making sure someone else isn't using your credit for their own purposes, which often happens in the case of identity theft. Read your credit report carefully. If you find errors, you can contact the credit bureau that generated the report to make any corrections you have. Directions for correcting mistakes will be mailed with the credit report you requested.

A few additional tips I recommend for correcting errors on credit reports:

- 1) Make a copy of all correspondence.
- 2) On a copy of your credit report, highlight the error you found.
- 3) Write a letter that explains the error and mail it back to the credit bureau along with the highlighted copy of your credit report.

Good credit and a realistic spending plan work hand in hand to give each of us the financial freedom we need to meet our financial goals. For more information on developing and using a spending plan, feel free to contact me at the Geary County Extension office 238-4161. Until next time, keep living resourcefully!