

# YOUR MONEY

## AAA Cook County Consolidation

7366 N. Lincoln Avenue  
Lincolnwood, IL 60712

Ph: 800-865-HELP  
847-933-8800

Fx: 847-933-8812

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

One of America's Oldest, most trusted Consumer Credit Counseling Agencies.

Accredited by BVQI as an ISO 9001:2000 registered organization.

A founding member of the  
**AICCCA**  
Association of Independent  
Consumer Credit Counseling  
Agencies.

A member of  
**AADMO**  
American Association of Debt  
Management Organizations

Licensed by the Department of  
Financial Institutions and fully  
bonded

Member in Good Standing of  
the Better Business Bureau



## How To Prepare for Life's Emergencies.

Many people plan for anticipated expenses, like paying for college and saving for retirement. Yet, when unexpected financial emergencies occur, individuals often find themselves unprepared. A job loss, serious illness, divorce or natural disaster can happen to anyone. Fortunately, there are steps you can take to prepare for a financial crisis.

### Build an emergency fund.

It is generally recommended that you set aside money each month to build up a cash reserve equal to three to nine months of living expenses. To some extent, the size of your emergency fund depends on your financial circumstances. If you are married and both you and your spouse work, you may be able to get by with the lesser amount. Having adequate insurance and substantial investments may also lessen the need for a large emergency fund.

Regardless of size, the funds should be easy to access. A money market or savings account are good choices.

Develop an emergency budget that shows the expenses you could cut and the minimum amount of income you would need to get by in a financial emergency. Also, think about ways you can increase income. For example taking a second job, renting out a room in your home or turning a hobby into a business are alternatives.

### Buy adequate insurance.

Insurance is one of the best ways to protect you and your family. Many people have life, medical and homeowner's insurance, but disability insurance and personal liability insurance are also important. Disability insurance replaces a portion of your income if you can't work because of a disabling injury or illness. Personal liability insurance increases your protection beyond the basic levels provided under your homeowners and auto insurance policies. This is important in today's litigious society, where multi-million dollar lawsuits are becoming more prevalent. Personal liability insurance also covers some losses not typically covered by standard policies, such as libel and slander.

### Arrange for a potential loan source.

If you're a homeowner, you should consider establishing a line of credit as a possible source of funds. It's best to do this now as a precautionary measure. If you wait until you face a crisis, it may be difficult to qualify, particularly if you have lost your job.

With a home equity line of credit, you can tap into your home's equity to meet emergency financial needs. You borrow as much or as little as you need, up to your pre-determined limit. Home equity lines of credit have a number of advantages over other borrowing options. First, they tend to carry lower interest rates, and you pay interest only on the amount you use. In most cases, the interest you pay on up to \$100,000 of home equity debt is tax-deductible. However, be aware of the potential consequences. Should you default on payments, you run the risk of losing your home.

## Keep accurate financial records.

Take the time now to collect and organize important personal information that you may need in the event of death, fire, theft or other emergency. Be sure that other family members know where to find bank account and PIN numbers, safe deposit box keys, insurance policies and contact information for your attorney, CPA and other professional advisors.

## Meet with a certified Credit Counselor and/or Financial Advisor.

Everyone's financial circumstances are different. A certified Credit Counselor or Financial Advisor can help you prepare a financial plan and identify steps that can protect your finances in an emergency.

# How To Raise Your Credit Score.



Credit scoring is a method lenders use to make lending decisions. Your credit score is a numeric value based on the information in your credit report. It tells lenders how likely you are to repay loans and credit card bills on time. It affects whether you can get credit and how much you pay for that credit. In general, the higher your credit score, the more likely you are to be approved and to pay a lower interest rate on new credit.

To determine your credit score, most lenders use a system developed by Fair Isaac Corporation. The system uses five factors to arrive at your credit score. Each factor counts as a percentage of your total FICO score: payment history (35 percent); how much you owe (30 percent); the length of your credit history (15 percent); new credit (10 percent); and other factors, such as having a mix of credit types in your credit report (10 percent).

FICO scores typically range from 300 to 850. Most lenders consider scores of above 700 as good. If you would like to know your credit score, contact the Fair Isaac Corporation at [www.myfico.com](http://www.myfico.com) or by calling (800) 342-6726. You may also order your credit score from the Annual Credit Report Service at [www.annualcreditreport.com](http://www.annualcreditreport.com) or (877) 322-8228. Whichever you choose, there is a small fee involved. If your credit score is lower than you would like, it is suggested you take the following steps to build up your score:

## Pay all bills on time.

One of the best ways to improve your credit score is simply to pay your bills on time. Late payments lower your credit score. Since your credit score changes as new information is reported by creditors, you can improve your score by catching up on back payments and staying current. Although late payments generally remain on your report for seven years, as time passes and your payment habits improve, those late payments will have less of an impact.

## Keep balances low.

High outstanding balances on credit cards and other debt can lower your score — even if you are making timely payments on your current debt. Lenders know that the more debt you have, the more difficult it would be to pay your bills if you were to lose your job, face a sudden illness or get divorced. Try to keep your outstanding balances below 50 percent of your credit limit.

## Don't apply for credit too often.

Every time you apply for credit, an inquiry is placed in your file. A large number of inquiries within a short period of time may be interpreted as a sign that you are having financial difficulties and lower your credit score.

Do not open new credit just to have a better credit mix or to show that you can get approved. This strategy isn't likely to raise your score, nor will closing a zero balance account.

## Pay off debt.

Consolidating your credit card debt on one card or spreading it over multiple cards isn't likely to change your score. In fact, frequently moving your balance from card to card may raise a red flag to lenders. It is better to pay off your debt rather than move it around.

## Check your credit report regularly.

Don't let your credit score suffer as a result of incorrect information. Check your credit report at least once a year and report any errors to the credit reporting agency and to your lender. Requesting a copy of your own credit report won't affect your score.

## Avoid quick credit fixes.

A good credit score is created over time and reflects a number of interrelated factors. Don't fall for any quick-fix deal that promises to improve your credit score. A better idea is to consult with a certified Credit Counselor who can provide practical advice for managing credit.