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## Communication Corner Newsletter - May 2014

### ***Hey, Can You Get Your Number?***

723, 565, 803, 678 - no these aren't winning lottery numbers, but rather potential credit scores. Your credit score is a number that can have a large impact on your ability to buy a house or a car or get approved for a credit card, yet many Americans have no idea what their credit score is. Here is an explanation of what it is and how you can get it.

#### **What's in a Name?**

When you begin to look into your credit score, you will more than likely see it referred to as a FICO score; FICO simply stands for Fair Isaac Corporation, much like Federal Express is known as FedEx. FICO is a company that uses "predictive analysis", which in layman terms means taking information gathered and studying it to predict what might happen in the future, to give lenders some guidance on how likely someone is to pay their bills on time, file bankruptcy or determine the amount of a credit line or loan. Once, FICO determines your score, they then report it to the three major credit reporting agencies - Equifax, Experian or TransUnion. From there Equifax will report your FICO score as a BEACON Score while Experian and TransUnion call it a FICO Risk Score.

#### **The Higher the Better**

The FICO score can range from 300 - 850; the higher your score, the more attractive you are to lenders. According to Experian, most credit scores are between 600 and 750. Although there is no hard and fast number that is considered "excellent," typically lenders are looking for a score of 750 -760 or higher to offer the best rates. In order to improve your credit score, it is important to understand what goes into the calculation. The commonly used FICO score chart formula includes the following: Payment History (35%), Debts/Amounts Owed (30%), Age of Credit History (15%), New Credit Inquiries (10%), Mix of Accounts/Types of Credit (10%). Looking at the weighting of each factor can help you determine what you need to work on in order to move your credit score higher.

#### **Order Your Report**

At your request, each of the three nationwide credit reporting agencies—Equifax, Experian, and TransUnion—is required by law to provide you with a free copy of your credit report once every 12 months. The credit reporting companies have set up a central website, [www.annualcreditreport.com](http://www.annualcreditreport.com), where you can access your credit report immediately. Be wary of sites that ask you to enter a credit card number or sign-up for a membership as they could end up charging you fees to access what you can get for free.

#### **Want to Learn More About How Your Credit Score Could Impact Your Retirement Future?**

As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer Leonard Financial can help you, contact us today or visit us online at [www.grinkmeyerleonard.com](http://www.grinkmeyerleonard.com).



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