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YOUR CREDIT SCORE AND YOUR FINANCIAL WELL-BEING

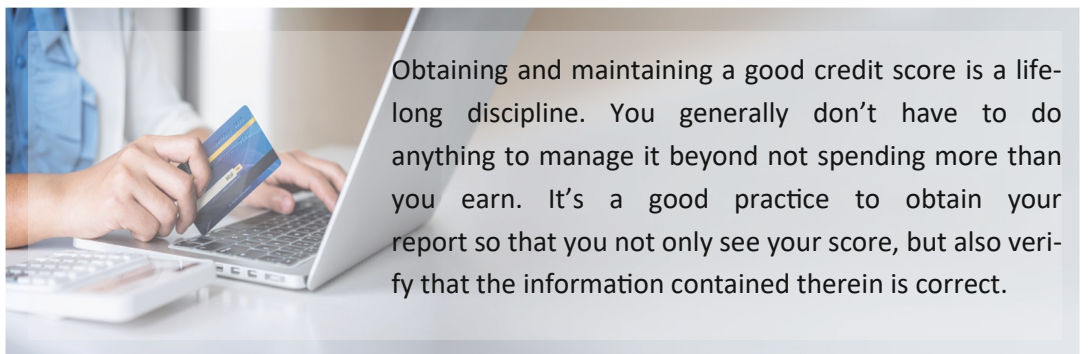
By Suzean Haumann, Certified Financial Planner®, Brenthurst Wealth Bellville

As interest rates rise and the rand falls, financial prudence is the watchword of the moment. You're certainly paying more on your mortgage than you were two years ago, and if you have other credit agreements, those repayments would also have risen. This can be a recipe for disaster if you're unable to keep up with the minimum monthly payments.

For many of us, the worry of a high debt burden is punishment enough. Unfortunately, other potential complications can arise if you do lose control of your debt. The ultimate black mark against your name is to be blacklisted if you've suffered a bad credit ruling, but long before that your credit score will already be raising red flags.

This score, as measured by credit bureaus such as TransUnion, Experian and XDS, is like a financial report card that reflects your creditworthiness. The lower the number, the less likely you are to get offered decent credit terms and, if this number is really low, then your application will probably be turned down.

[TransUnion says](#) a score above mid-700s is considered excellent, with around 600 considered average and below 526 is unfavourable.



Obtaining and maintaining a good credit score is a life-long discipline. You generally don't have to do anything to manage it beyond not spending more than you earn. It's a good practice to obtain your report so that you not only see your score, but also verify that the information contained therein is correct.

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WHY YOUR CREDIT SCORE MATTERS

Your credit score and report are used by lenders, as well as any other company, such as mobile networks, with whom you sign a contract. Even a potential employer would be able to request a credit record as part of the onboarding process, so your score is important for more than just loans and credit.

Ultimately, your score is seen as a key indicator of how well you manage your debt. A high credit score, therefore, opens the door to favourable loan terms as well as lower interest rates, higher credit limits and increased financial flexibility.

Obtaining and maintaining a good credit score is a lifelong discipline. You generally don't have to do anything to manage it beyond not spending more than you earn. You're allowed to request your credit report from services such as ClearScore, with one free copy every 12 months permitted by law. It's a good practice to obtain your report so that you not only see your score, but also verify that the information contained therein is correct.

HERE ARE 5 CONDUCTS THAT CAN HELP TO KEEP YOUR SCORE WITHIN ACCEPTABLE LIMITS

1. MAKE SURE YOU HAVE DEBT AT REPUTABLE INSTITUTIONS

By making debt, such as credit cards or loans, with well-known and trustworthy lenders, you enhance your credibility in the eyes of future creditors. Maintaining a positive track record with these institutions will contribute significantly towards improving your credit score.

2. PAY YOUR MONTHLY INSTALMENTS REGULARLY AND ON TIME

Consistently paying your bills is a fundamental factor in building and maintaining a strong credit history. Late payments or defaults can severely impact your credit score, which then takes time to build back up to more acceptable levels again. You can avoid missing payments by setting reminders, automating payments and creating a budget to keep track of your financial obligations.

3. CATCH UP ON OVERDUE PAYMENTS AS QUICKLY AS POSSIBLE

If you have fallen behind on your payments, it's crucial to get back on track as quickly as you can. Even one late payment can be damaging to your credit score, so if you do see trouble looming it's best to get hold of your creditors to discuss payment options or negotiate repayment plans. At this stage it might also help to seek professional assistance. [The National Credit Regulator](#) has a list of accredited debt counsellors who might be able to help.

4. DON'T OVER-BURDEN YOURSELF WITH DEBT

While a good credit score means you should be able to get credit more easily and on better terms, this in no way should be an invitation to take on unnecessary debt. Also, maxing out credit cards or carrying high levels of debt can signal financial distress and lead to a lower credit score. It's best to try to maintain a reasonable debt-to-income ratio and only borrow that which you can comfortably repay.

5. LIMIT NEW LOAN AND ACCOUNT APPLICATIONS

Every time you apply for credit, a hard inquiry is generated on your credit report, which can temporarily lower your credit score if you are applying for multiple loans at multiple institutions. You might only be looking to furnish your new home, but to credit bureaus this activity could signal a possible default if you can't make your monthly repayments. Therefore, rather limit the frequency of new credit applications.

You shouldn't be surprised if you've made the connection between these good financial habits and maintaining a household budget. In the same way that you need to continually manage your credit score, you also need to maintain a budget when you're retired.

My colleague, Mags Heystek, wrote an article recently on this topic, if you're looking for tips on making your money last through retirement. >> [CLICK HERE TO READ THE ARTICLE](#)

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She has experience in various aspects of financial planning, focusing on investment and retirement planning. Suzean is also a qualified Foreign Exchange Consultant for the company, with a wealth of knowledge in offshore investments.

Suzean joined Brenthurst Wealth in 2010 and is fully qualified to give advice on all investment matters.

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