

Seven tips for improving your credit score



Making the grade

What's your credit score: 550 ... 700 ... or the much coveted perfect 850? Much attention has been focused on credit scores in the wake of the recent recession. But what do credit scores actually reveal? It turns out they're not just a reflection of our bill-paying history; they're also a story of how we lead our lives.

Today, stores, auto dealers, mortgage bankers, landlords and prospective employers are using credit scores to see how financially responsible you are before giving you a credit card, leasing you a car, giving you a mortgage, renting an apartment to you or even offering you a job.

Think of your credit score as your own financial report card: The higher your score, the easier it may be for you to get a loan or credit, and the better the rates and terms you may be offered. So what can you do to improve your score? Consider the following tips:

1. Know your number. In most states, you're entitled to a free copy of your credit score from each of the three main credit bureaus once a year (see the next page for more information about how to access your score). You may also be entitled to a free copy of your credit report — a snapshot of your credit history. You'll want to check your credit report carefully to make sure that the account information, including credit limits or loan amounts, monthly payment history, bankruptcies and liens, and collection agency attempts to collect past due amounts, is all accurate. Spread out your requests, one per four-month period. That way you can catch potential errors at different parts of the year and spot any identity theft issues. Request corrections from the credit bureau in writing.

- 2. Pay bills on time.** One of the best ways to improve your credit score is to pay your bills within the grace period. If you have past-due bills now, get current as soon as you can. If possible, set up an automatic bill payment schedule to help you stay on track. In the event you miss a payment, a call to your credit card or mortgage company to work out a plan can help save you unnecessary dings on your credit score.
- 3. Lock up cards, don't cancel them.** A popular myth is that closing old accounts will increase your credit score. Not necessarily. Credit bureaus look at a combination of factors, including the total length of your credit history, which means it may be better to keep your credit cards, but manage them responsibly.
- 4. Pick a favorite card and stick to it.** The model credit bureaus use to calculate your credit score penalizes you for having multiple balances, so limit the bulk of your spending to one or two main cards.
- 5. Keep credit card balances low.** How much of your total available credit have you used? High outstanding balances on your credit cards can weigh down your score. While less is better, owing a little bit can actually help improve your credit score. That's because lenders want to see that if you borrow money, you are responsible enough to pay it back. To see how debt may be impacting your financial security, go to the Learning Center at mybmoreirement.com and use the [Credit Card Payoff Calculator](#) to help you assess how much your credit card balances are actually costing you.

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6. Track your spending. How much you owe is the second most important component of your credit score (the first is your payment history), so manage your debt wisely. If you've never tried to keep track of your spending, do it now. Whether you simply keep a list of your spending or track it using a spreadsheet or money management software program, knowing how much you're spending will help you plan for any upcoming bills.

7. If you need help, get it. Contact your creditors or see a reputable credit counselor if you're having financial difficulties. The sooner you begin managing your credit well and making timely payments, the sooner your score will get better.

For further information on financial planning

We invite you to visit mybmoreirement.com or call the My BMO Retirement Line at **1-800-858-3829**.

Stay on top of your credit reports

Your credit score, or FICO score (the acronym for the Fair Isaac Corporation, which created the most widely used credit score model in the United States), condenses your credit history into a single number ranging from 300 (the lowest credit score) to 850 (the highest). Banks, credit card companies and other lenders look at your score as a measure of your credit risk.

You actually have three credit scores, one for each of the three main credit bureaus:

1. **Experian:** Experian.com, 1-888-397-3742
2. **Equifax:** Equifax.com, 1-800-685-1111
3. **TransUnion:** Transunion.com, 1-877-322-8228

The scores they produce can vary, but typically not by much. Still, lenders consider all three when making a decision about giving you credit.

There are a variety of Web sites that provide free yearly access to your credit score and credit report, including annualcreditreport.com and quizzle.com.