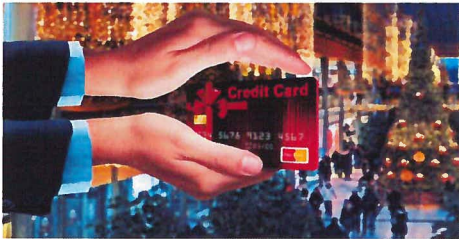




## 6 END-OF-YEAR STEPS TO PROTECT YOUR CREDIT



By: Dawn Papandrea - November 10, 2016

With the big spending months closing in, keeping expenses in check becomes more challenging. Knowing that, it's more important to be make sure your shopping doesn't negatively impact your credit or cause you to start the New Year with the burden of more debt.

"When it comes to the holidays, people buy emotionally. You spent the last eight or nine months being diligent and all of a sudden here comes Thanksgiving, Black Friday and the holidays," says Jake Serfas, leading financial strategist with O'Dell, Winkfield, Roseman and Shipp. "The biggest thing in the last three months is to take a look at what's necessary for you to purchase, having a plan, and sticking to it."

Having good intentions might not be enough once you hit the shopping aisles, however. The National Retail Foundation says it expects retail sales in November and December (excluding autos, gas and restaurants) to increase 3.6 percent from 2015 to \$655.8 billion. Online sales are projected to increase between 7 and 10 percent to \$117 billion. And it's likely a good portion of those sales will be paid for by plastic.

"People have a tendency to want to keep up, and have a 'Spend today, and worry tomorrow' mindset," says Dolph Janis, founder and owner of Clear Income Strategies Group in Charlotte, North Carolina. "Then they sit down in January and say 'I can't believe how much I spent.'"

To avoid holiday splurging remorse come 2017, approach this holiday season with a realistic budget, and use your credit cards to your advantage, instead of the other way around. Here are some tips to help you avoid overusing or abusing your plastic:

### 1. Call your creditors

Since balances tend to rise at the end of the year, a simple call to your credit card company may save you some money and protect your credit score, says Serfas. "The reason you should call is two-fold. You can request for them to raise your credit limit, and also lower your interest rate," he says. There's no guarantee you'll get either request granted, but if you've been a good customer, it's worth a shot. According to a March 2016 CreditCards.com poll, more than 3 in 4 cardholders who requested a rate drop were successful.

Here's why you should try: Running up a higher-than-normal balance, as people tend to do for holiday shopping, can shoot your credit utilization ratio up. That's the percentage of available credit that you are using. If you have a \$2,000 credit limit, and your balance rises to \$1,500, you're utilizing 75 percent of your available credit. Utilization is the second most important factor (behind paying your bills on time) that comprises your credit score, and therefore, your score could take a hit until you bring your balance back down.

On the other hand, if your credit increase request is granted, say from \$2,000 to \$3,000, your utilization for a \$1,500 balance will drop to 50 percent – still not ideal, but it won't have as great of an impact on your score.

Of course, if you plan to pay off the balance relatively quickly and aren't in the market for a mortgage or car loan anytime soon, you may not need a credit line boost as your score should recover once those balances drop.

As far as interest rate goes, Serfas says that's something you should try to negotiate from time to time anyway. "As long as you're in good standing with them, you can say you've been a customer for a long time, and are considering other offers online, but you'd like to see if you can qualify for a lower rate and raise the limit on your cards," he says. Do know that sometimes an issuer will insist on pulling your credit to see if you qualify, which will result in a temporary ding on your credit scores. So ask the representative if a hard pull will be necessary before you authorize it. Then it's up to you to decide if you'd like to proceed.

If your creditor does end up lowering your rate, it can save you money on any revolving balance you may carry for the next couple of months.

### 2. Set alerts and track spending

Whether you're doing a marathon shopping day on Black Friday or ordering all sorts of items online, it's easy to get carried away when you're not using "real" money. Your credit card can actually help you stay accountable, though, says Troy Dennis, senior vice president and U.S. head of card product for TD Bank. "Most credit cards have financial alerts that you can enroll in through the online portal in which you can be alerted when you reach your monthly spend limit," he says.

Getting a text or email could serve as your cash conscience, and force you to pause before you go over budget. If you're not paying attention, however, you could end up surprised by the final tally when the bill arrives, says Dennis.

### 3. Take advantage of rewards points and malls

If you are going to shop using your credit card, take a moment to review the offers that your issuers may have, especially during the holidays. "If you're a consumer who accumulated points or rewards all year long, now is an excellent time to redeem them," says Dennis.

A great way to "double dip" is to purchase gift cards with your rewards card to rack up points and use those to shop for gifts – or to give as gifts themselves. Or, of course, you always have the option of redeeming points for gift cards to either shop with or present as a gift.

If you're an online shopper, don't forget to check out your card's rewards mall. "A lot of times you can get an extra percentage discount just by going through your card's portal," says Dennis. Just be sure you're using it for purchases you'd normally be buying anyway, he adds.

### 4. Consider a new card

If you're in the market for a new credit card anyway, choosing one with a 0 percent introductory rate will give you a bit of cushion if you do carry a balance forward for a couple of months. "With some offers, you can get up to 12 months or more of no interest," says Serfas. "But just because there's no interest, don't be tempted to go crazy."

Also, be sure to consider other terms including what the APR will be when the promotional period is up, if there's an annual fee, and other factors related to your spending style before you choose a new card.

### 5. Use cash, but consider credit for protection perks

Paying cash whenever possible is a great way to stick to a budget, but it's not always feasible or the best idea. For instance, with online purchases, credit gives you the best protection in case your information is stolen, whereas using a debit card could mean more liability for you.

But even in person, using a credit card might offer consumer benefits that cash will not, says Dennis. "Credit cards sometimes offer a protection component that cash doesn't give you, such as they might extend the warranty that the manufacturer offers on a big electronics purchase."

### 6. Look closely at year-end statements

When the year is over, credit cards offer consumers a detailed look at their purchases, breaking down your spending categories. "It provides a reality check for the year," says Serfas. "You'd be surprised at how much you spend on lunch throughout the week, for example. Looking closely at that allows you to plan ahead for the next year."

Of course, you don't have to wait for your year-end statement to arrive to monitor your cash flow, says Janis. "Many issuers offer that type of reporting at the end of every month. Discipline yourself to use mainly just one card so you can see where you're spending most of your money, and look at the big picture," says Janis.

As you head into the homestretch of 2016, being mindful about how you use your credit cards – and getting the most utility out of them – can help you finish off the year strong.



Dolph Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

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