

# Spotting Credit Trouble

*How to check for problems.*

Provided by Ivana Lotoshynski, CFP®

Americans aged 45 to 54, who have credit card balances, carry an average debt of \$9,096 per individual.<sup>1</sup>

The wise use of credit is a critical skill in today's world. Used unwisely, however, credit can rapidly turn from a useful tool to a crippling burden. There are several warning signs that you may be approaching credit problems:

Have you used one credit card to pay off another?

Have you used credit card advances to pay bills?

Do you regularly use a charge card because you are short on cash?

Do you charge items you might not buy if you were paying cash?

Do you need to use your credit card to buy groceries?

Are you reluctant to open monthly statements from creditors?

Do you regularly charge more each month than you pay off?

Do you write checks today on funds to be deposited tomorrow?

Do you apply for new credit cards, so you can increase borrowing?

Are you receiving late and over-limit credit card charges?

It is important to recognize the warning signs of potential credit problems. The quicker corrective action is taken the better. Procrastinating is almost a sure way to guarantee that you may face financial difficulty down the road.

The lowdown on those free credit scores. Did you know the credit score provided to you may be different from the one provided to lenders?

The first thing you should know is that you have a right to see your credit report once annually without cost. To receive your free credit report you can visit [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com).

This report will contain important information that may affect your credit score.

While your credit report can be obtained for free, your credit score will cost you money, except if you have been denied a loan based on your credit score, in which case you may obtain your credit score for free.

Your credit score is a numerical representation of your creditworthiness, which considers past and current credit activities, including any late payments, judgments, liens, bankruptcies, and foreclosures.

When you see an offer for getting your free credit score, it may be a marketing-driven incentive to get you to sign up for a fee-based credit monitoring service. The score may be only available at no cost if you agree to sign up for a trial subscription and don't cancel prior to the end of that trial period.

The dirty little secret of credit scores. Before you purchase your credit score, understand that the methodology used to calculate the score you buy is different from that used to determine the credit score lenders receive.

There are hundreds of methods for calculating an individual's credit score, and many lenders use private models with proprietary outcomes. While knowing your credit score may be important, it may be more vital to review your credit report to correct any errors that may be hurting your score and take the necessary steps to improve your credit profile.

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#### **Citations.**

1 - [thestreet.com/personal-finance/credit-cards/average-credit-card-debt-14863601](http://thestreet.com/personal-finance/credit-cards/average-credit-card-debt-14863601) [2/14/19]