GREAT ADVICE FOR GRADS

2022

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Congratulations Class of 2022!

Along with family, friends, mentors, and educators, Inceptia applauds this year's college graduates. You have fulfilled a promise you made to yourselves and completed a journey that delivered more uncertainty than you could have predicted. And still, you made it.

If you find yourself reading this Great Advice for Grads, I want you to know about how it ended up in your hands (virtually). It all starts with a cross-collaboration between Inceptia team members in Nebraska and Ohio; as part of our nonprofit mission, this guide is one of our passion projects that we look forward to every spring.

We then chat with our friends at NerdWallet to find the right content and strike the right balance. We work with our design team to put together a guide that looks and feels relevant. We send it to our proofreading team, while also doing multiple rounds of edits ourselves. Our marketing team puts together emails, tweets and flyers to help spread the word. We take about two months, from start to finish, putting together a free tool to help you become financially empowered.

Lastly, we share it with everyone. We hope it gets into as many hands as possible. But mostly, it's the colleges, universities and the staff who serve you that probably led you to Great Advice for Grads 2022.

I share all of this to give you some insight into the number of people that are rooting for you to succeed. From the team here at Inceptia, to the writers at NerdWallet, to the educator, mentor or professional staff that wanted you to read this guide. We all work together to deliver the gift of financial awareness. We want the best for your financial future and we hope this guide serves you well.

When I think about how so many people work together toward a common end, I am reminded of the author James Altucher's Power of 5 theory. I think it's a helpful framework for deciding who you want to be and how you choose to be in this world; I hope it strikes a chord with you, too. In short, it goes like this:

- You're the average of the five people closest to you
- And the five things by which you're most inspired
- Your thoughts are the average of the five things you think about most
- While your body and mind are the average of the five things you most "consume"
- Finally, you are the average of the five things you do each day to help others

With that in mind, I hope this next part of your journey is full of good people, good thoughts, good ideas and good deeds. Congratulations and cheers to the Class of 2022!

Carissa Uhlman
Vice President of Student Success
Inceptia

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STUDENT LOAN REPAYMENT

Graduating? What You Can Do About Your Student Loans

INFORMATION FROM THE U.S. DEPARTMENT OF EDUCATION

As you prepare for life after school, we want to provide you with next steps, tips, and advice regarding your student loans.

First, review your student loan records. You can access your federal student loan record at StudentAid.gov/login. You'll need to figure out whether you have federal student loans, private student loans, or both. The advice below is for your federal student loans only. To discuss repayment options for your private student loans, contact your lender.

NOT ATTENDING GRADUATE SCHOOL OR CONTINUING YOUR EDUCATION?

In most cases, you'll have six months from the time you graduate before you must begin making federal student loan payments. This is called your grace period. Use this time to explore the different repayment options available to you and prepare for repayment. Learn more about the different repayment options at StudentAid.gov/repay. During your grace period, you can also start making payments of any amount. Contact your federal loan servicer to find out how to get a head start on repaying your student loans.

Here's your repayment checklist:

- **Know whom to contact if you need help with your student loans.** Your loan servicer can help you for free. You never have to pay for student loan help!

TIP: Save your loan servicer's phone number in your phone. You can find your loan servicer's phone number at StudentAid.gov/servicer.

- **Choose a repayment plan that meets your needs.** Compare your monthly payment options under different repayment plans using the *Loan Simulator* at StudentAid.gov/loan-simulator. Consider applying for an income-driven repayment (IDR) plan at StudentAid.gov/idr. Under an IDR plan, your monthly student loan payment is based on your income and family size and can be as low as $0 per month. If you take no action, you'll be placed on the 10-year Standard Repayment Plan.

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- **Consider whether your career choice might qualify you for loan forgiveness.** If you plan to work for a government or not-for-profit organization, you may qualify for loan forgiveness after 10 years of federal student loan payments through the Public Service Loan Forgiveness (PSLF) Program. Learn more about the PSLF Program at StudentAid.gov/publicservice. You may qualify for the Teacher Loan Forgiveness Program after five years of teaching service in a low-income school. For more information about the Teacher Loan Forgiveness Program, visit StudentAid.gov/teach-forgive.

- **Understand your options for making payments.** You won't pay the U.S. Department of Education directly. In most cases, you'll make payments to your federal loan servicer. Before your first payment is due, your loan servicer will provide you with information about how to make your payments.

TIP: Ask your federal loan servicer how to sign up for automatic payments to receive a 0.25% interest rate deduction!

- **Consider whether consolidation may be right for you.** If you have more than one loan servicer, consolidation can simplify the repayment process. In some cases, loan consolidation also can help you qualify for better repayment options. Just be sure to weigh the pros and cons of loan consolidation. Learn more about loan consolidation at StudentAid.gov/manage-loans/consolidation.

For a comprehensive guide to Federal Student Loan Repayment, complete online Exit Counseling, view the Repayment Checklist, or download the Repaying Your Loans guide.

CONTINUING YOUR EDUCATION?

In most cases, if you return to school on at least a half-time basis, your loan servicer will automatically place your loans in a status that doesn't require you to make payments while you're in school. If you return to school on at least a half-time basis but start receiving bills for your student loans, contact your loan servicer.

While you're in school, interest will continue to accrue (accumulate) on your unsubsidized loans. If you can afford it, consider paying the interest while you're in school. This may help to reduce the total amount you repay over the life of your loans.

Beware of student loan scams.

You never have to pay for help with your student loans. As you're researching repayment and forgiveness options, make sure you're getting information from trusted sources, such as StudentAid.gov or your loan servicer's website. The U.S. Department of Education and your loan servicer will never charge fees to help you with your student loans, so if you're asked to pay, walk away. Read more about how to avoid student aid scams or **contact your loan servicer for free assistance**.

If a Stranger Offers You Student Loan Forgiveness, Hang Up

BY ANNA HELHOSKI

Student loan scammers have a brand-new hook: "Biden student loan forgiveness" or "stimulus forgiveness."

Behind the pitch is the same old fraudster playbook, one that persuades federal student loan borrowers to pay for services they could get for free or to share personal account information in exchange for forgiveness.

The extended pause on federal student loan payments and revived talk in Congress of debt forgiveness make such deceptions easier to believe.

"Debt relief scams proliferate when there is a large amount of financial suffering or a lot of confusion, and we have both going on right now," says Persis Yu, a staff attorney at the National Consumer Law Center and director of its Student Loan Borrower Assistance Project.

To be clear, there is no new broad-based loan forgiveness program available beyond the existing, often difficult-to-get options, such as Public Service Loan Forgiveness or Borrower Defense to Repayment. There's also no application or fee necessary to receive the federal student loan payment pause that's been in effect since March 13, 2020, and will continue through May 1, 2022.

ABOUT THAT 'STIMULUS FORGIVENESS'

It's safe to dismiss any out-of-the-blue offer to discharge debt, consolidate loans or alter your repayment plan as a scam.

"There isn't a person or entity on the planet who can get you a better deal on your student loan or access a program that you can't get yourself by working directly with your servicer," says Betsy Mayotte, president and founder of the Institute of Student Loan Advisors.

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Mayotte says she's seen an uptick in complaints from borrowers about "Biden relief" and COVID-19 relief student loan scams.

In one instance, a borrower sent Mayotte the transcript of a fraudulent voicemail making an enticing offer: "It looks like your student loan has been flagged eligible for the recent stimulus forgiveness and relief legislation, however, your application needs to be completed."

The caller sounded legit (she provided a name and an agent ID number) and expressed urgency to call back on a "dedicated eligibility line." Then the caller further emphasized time sensitivity, saying the discharge would be first come, first served.

"What's interesting is that this number came in as a D.C. number, which I'm sure just adds credibility to their scam," Mayotte says.

Borrowers should continue to be on guard as student loan scams proliferate, largely due to the "whack-a-mole" effect: As soon as one company is shut down, another pops up in its place, says Michelle Grajales, staff attorney with the Federal Trade Commission's Bureau of Consumer Protection.

RED FLAGS TO WATCH FOR

The maxim "If it sounds too good to be true, it is" goes hand in hand with spotting scams.

But the most effective ones often mix fact and fiction, Grajales says. Tactics like using of-the-moment phrases or claiming to work for the federal government make false promises more appealing to financially vulnerable people.

"They've heard something about loan forgiveness," Grajales says. "They've heard something about the CARES Act. Scammers try to sound legitimate by throwing in words that are very much in the public ear."

The basic structure of student loan scams has remained the same for years, Yu says: Companies promise some kind of forgiveness in a short period of time, charge and pocket a large upfront fee, then get access to a borrower's account to consolidate their debt and enroll them in an income-driven repayment plan.

"If they even do something [with the debt], that's what they tend to do, or they just take the borrower's money," Yu says.

Experts say it's critical to avoid handing over cash upfront or your Federal Student Aid identification information, or FSA ID, which allows fraudsters to act on your behalf.

"What they're doing is inserting themselves between you and your servicer," says Scott Buchanan, executive director of the Student Loan Servicing Alliance. "Oftentimes they'll change your mailing address, email address so all the servicer communication will go to these scam artists. Then when they don't do what they're supposed to do, you won't know until it's too late."

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Use caution if a company expresses urgency to "apply now" or offers to provide a service you could do yourself, such as enrolling in income-driven repayment or applying for Public Service Loan Forgiveness.

When in doubt, contact your servicer directly using a phone number on its website — not a number given to you by a third party.

Find more information on student aid scams on the federal student aid site.

WHAT TO DO IF YOU'VE BEEN SCAMMED

If you were conned, remember that you're not the first student loan borrower who's been victim to predatory tactics.

"It has nothing to do with how smart you are; it has more to do with how good they are at their swindle and how vulnerable you are at the time that they reach you," Mayotte says.

Regaining control of your account is the most important first step to take if it happens, experts say. Here's how:

- Sever all ties with the scammer.
- Contact your servicer to report the account breach. You may need to request a new FSA ID.
- Check the contact information on your account and make sure all ongoing correspondence goes to you.
- Contact your bank to stop any automatic payments to the scammer.
- Freeze your credit.
- Seek legal assistance for help recovering any money.
- Report the scam to enforcement agencies.

HOW TO COMPLAIN ABOUT A SCAM

You can, and should, report any scam correspondence to multiple sources. The more complaints these agencies receive, the more ammunition they'll have to pursue legal action against fraudsters. Scams can be reported to and are tracked by:

- Your federal student loan servicer.
- The Federal Trade Commission.
- The Consumer Financial Protection Bureau.
- Your state attorney general's office.
- The U.S. Department of Education's FSA Feedback Center.

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IF YOU NEED STUDENT LOAN HELP

Consider these vetted resources for student loan help; they are established organizations with verified histories:

STUDENT LOAN HELP RESOURCE	BEST FOR
The Institute of Student Loan Advisors	Advice on repayment plans, forgiveness programs and dispute resolution.
National Consumer Law Center	Comprehensive information on options for student loan borrowers.
Student Borrower Protection Center	Advocacy on behalf of all borrowers to influence policy.
National Foundation for Credit Counseling	Complete financial review for struggling borrowers, which can include advice on student loan options and plans for dealing with other debt.
American Consumer Credit Counseling	Advice on repayment plans, help with paperwork and budget counseling.
National Association of Consumer Advocates	Information for student loan borrowers and an attorney directory.
Lexria	Help for borrowers who have already filed bankruptcy that did not include their student loans.
Adam Minsky	Advice on defaults, dispute resolution, collections, debt settlement and legal remedies. Licensed in Massachusetts and New York.
Stanley Tate	Advice on debt settlement, bankruptcy, default and forgiveness. Licensed in Missouri and Illinois.

Many of these organizations offer advice for free. In some cases, you may need to pay a fee, as with a certified nonprofit credit counseling agency or if you hire an attorney.

None of the organizations above calls, texts or emails borrowers with offers of debt resolution.

This article **If a Stranger Offers You Student Loan Forgiveness, Hang Up** was originally published on NerdWallet on February 26, 2021.

ANNA HELHOSKI is a staff writer at NerdWallet.

MINDING YOUR MONEY

Trial, Error and What I Learned About Money in My 20s

BY SEAN PYLES

Your 20s are a time of self-exploration, finding your footing as an adult — and likely making some money mistakes.

To save you from learning the hard way — and pass on some knowledge as I enter my 30s — here are five money lessons from my past decade.

GET SERIOUS ABOUT GOALS

For several years, my main financial goal was to go out as much as I wanted and still have enough money left at the end of the month to cover rent.

Eventually, though, groggy mornings and paltry savings proved unfulfilling. My partner and I decided to set goals and plan for them. We wanted to buy a house, which meant moving to a less expensive city so we could build savings.

TIP: Know your passions to know your goals.

Sacramento, California, certified financial planner Pam Rodriguez suggests identifying what brings you joy, then crafting a financial plan to create more of those moments.

"Personal finance is a lot more emotional than it is a math equation," Rodriguez says. "Even though the numbers have to add up, you'll never take action unless you feel strongly about something."

If you want to buy a house to host friends and family, for example, identify how much you'll need for a down payment and closing costs, then work toward that savings goal over time.

FIGURE OUT A BUDGETING SYSTEM

For most of my 20s, my budgeting system was defined by the lack thereof. Eventually, I sucked it up and started tracking my spending. At first, I felt that I was slacking if I didn't document where every penny went. But I quickly realized that keeping a simple budget was more my style.

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TIP: Choose a budgeting system that reflects who you are.

If you're a hyper analytical person, a detailed budgeting spreadsheet might suit you. But if you're more hands-off, a budgeting app might do the trick.

No matter how you budget, it's important to at least understand the money coming in and going out monthly.

"When people see their spending, they have an aha moment, because they didn't realize where their money was going," says Sidney Divine, an Atlanta certified financial planner.

LEARN FROM MISTAKES

Did you know that if you work a contract gig and don't put aside enough cash to cover taxes, you may be left making monthly payments to the IRS for years to come? In my early 20s, I learned this the hard way.

TIP: Locate the source of a problem and find a solution.

In my case, the problem was that I ignored my finances and didn't think about tax obligations. I resolved the issue by proactively managing my budget and paying off my tax debt. Getting a new job that wasn't a 1099 gig helped, too.

"You've got to figure out: Is it the same mistake you're making over and over? Is it a pattern?" says Christine Papelian, a certified financial planner in Phoenix. "If it's a new mistake, then now you have an opportunity to get back on track. It's almost never too late to change a behavior or a habit."

If you have a habit of making late payments, for example, think about setting up automatic bill pay so you don't have to worry about tracking various due dates.

BUILD FINANCIAL FORTITUDE

The past year has been a crash course in instability. And while recent crises were unusually severe, you can count on unexpected financial challenges to pop up throughout life. For instance, a broken alternator on my car once drained my emergency fund, but at least I was able to avoid going into debt to cover the expense.

TIP: Make savings mandatory.

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"Focus on building an emergency fund," Rodriguez says. "Everyone needs one because everyone is going to have an emergency come up."

Consider using direct deposit to send part of each paycheck into an emergency savings account or setting up automatic transfers from a checking account to savings.

TAKE ADVANTAGE OF THAT LONG TIME HORIZON

Youth may be wasted on the young, and so is their financial time horizon — at least for those who don't seize it.

Despite the various mistakes I made in my 20s, saving for retirement is one area that I didn't neglect. Once I saw the power of compound interest via a retirement calculator, I quickly set up regular contributions to my 401(k).

TIP: Use these years to boost retirement savings.

One way or another, your 20s will have ripple effects on your retirement years. And life may get more complicated later, especially if you buy a house and start a family, making it harder to save for retirement. Tucking away more cash now can save you from playing catch-up in later years.

The article Trial, Error and What I Learned About Money in My 20s was written by NerdWallet on June 11, 2021, and originally published by The Associated Press.

SEAN PYLES is a debt writer at NerdWallet.

Saving Tips for Newbies, Experts and Everyone in Between

BY MARGARETTE BURNETTE

When it comes to saving money, this year may look a little different from years past. The savings rate is lower than its peak of about 34% in April 2020, but Americans are still saving more than they did before the pandemic. This is according to the U.S. Bureau of Economic Analysis, which defines savings as the amount left over after spending money and paying taxes.

Unemployment is still elevated, however, and those who have lost income may be finding it more difficult to save. Either way, it's important to have a savings plan.

Whether you are flush with cash, not sure how to save money or somewhere in between, here are the actions you can take now to maximize your savings:

- **Unsure how to save**
- **Saving a little at a time**
- **Already saving, ready to maximize**

UNSURE HOW TO SAVE

If you've found it difficult to save money lately, try these tips to strengthen your bottom line:

Cancel high bank fees and other unnecessary expenses. "Businesses conduct financial audits for their expenses. Why not conduct a personal audit for yourself to cut spending?" says Michael Foguth, founder of the financial advisory firm Foguth Financial Group in Brighton, Michigan.

If you have a bank account that charges a monthly fee of $5, that adds up to $60 every year. Consider switching to a free account. There are options at many top online banks.

Another example: Say you signed up for a streaming service at the start of the pandemic because you were mostly at home. But now, if you're not watching TV as much, you could cut the service to save money, Foguth says.

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Weigh options to increase cash. Consider taking on part-time work — job growth is increasing and there has been pressure on employers to increase wages — or sell unused belongings to raise cash. For help with major expenses, such as rent and medical bills, reach out to community organizations. The government website usa.gov/help-with-bills is a good place to find resources. Even temporary cash boosts could help you unload debt and give you room to create a savings plan.

SAVING A LITTLE AT A TIME

Maybe you're able to save occasionally but would like to save more. If you're already putting the previous tips to use, try these action items:

Open a high-yield savings account. The average savings interest rate is a low 0.06% APY, but there are other accounts that pay many times more. With a high-rate savings account, your deposits earn more money while being safely parked in a federally backed bank account.

Set up auto transfers to savings. Move money from a checking account to savings before you get the chance to spend it — on each payday, for example. If you are able to transfer just $25 into savings every two weeks, you'd stash $650 by this time next year.

Bank bonus money. Decide now to save any extra money you receive, such as a cash birthday gift, tax refund or stimulus money that you don't need immediately for expenses.

ALREADY SAVING, READY TO MAXIMIZE

Already have a savings plan and looking for ways to make the most of your money? If you're using the previous tips, here's how to make your money work harder:

Reevaluate spending goals. You may have some of your savings earmarked for a big ticket item. But for some people, the pandemic redefined what was important to them. Before you cash out, consider whether your previous goals match your current needs.

Economic conditions may also come into play. Alissa Johns, a real estate investor and small-business owner in Valparaiso, Indiana, and her husband originally set aside money to buy a new home in early 2021. But she says when they saw how tight housing inventory was and how construction prices were rising in the area, they chose to stay put.

Instead of moving, "we decided to refinance our current home loan and vacant land loan for lower interest rates," Johns says. She adds that doing so allowed them to "decrease our monthly expenses and be able to put more money towards saving."

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Maximize your emergency fund. Experts recommend having at least three to six months of savings set aside for emergencies. If you have some savings but haven't hit that mark, keep plugging away until you reach your goal. If your emergency fund is fully funded, you could focus on long-term financial goals.

Check out rewards accounts. Consider getting more value out of your spending by using checking accounts and credit cards that offer perks or promotional offers. The best rewards checking accounts, for example, earn interest, offer cash back on spending and may even offer a one-time sign-up bonus.

Top savings strategies may look different for people in different financial situations, but the most important step for anyone is to take action. Regardless of where you start, act now and you can put yourself in a position to increase savings this year and beyond.

The article Savings Tips for Newbies, Experts and Everyone in Between was originally published on NerdWallet on June 18, 2021.

MARGARETTE BURNETTE is a savings account expert at NerdWallet.

6 Ways to Budget Using Your Bank Account

BY RUTH SARREAL

If you're having trouble sticking to a monthly budget, the solution might not be in a fancy app or a complicated spreadsheet, but rather in your humble bank account.

Whether your goal is prioritizing essential expenses or curbing a takeout habit, you can put your bank account to work to manage your money, not just store it. Give these tactics a try.

1 Keep your checking balance low on purpose

A simple approach to combat overspending is to get your money out of plain sight. Keeping a low checking account balance "holds temptations at bay and makes it more likely you'll stick to the plan," Anand Talwar, deposits and consumer strategy executive at Ally Bank, said in an email. Having just enough money accessible allows you to cover what you need without going over budget or dipping into money that can go toward savings. If you opt to keep a low checking account balance, use an account that has no overdraft fees or easy ways to avoid them in case you spend more than you mean to.

2 Split your money into 2 different checking accounts

One way to keep your checking balance low is to split it up. Pamela Capalad, a certified financial planner in New York City, recommends having two accounts. One account is for recurring expenses, with a buffer for variable expenses such as electricity or gas. The second is for discretionary spending — that is, purchases that are nonessential but still important or useful. This way, you know exactly how much of your discretionary funds are left for the month, Capalad says.

3 Use automatic transfers to safeguard money for essentials

If having two checking accounts is too much hassle, you can preserve money for necessities like rent and utilities by moving cash into a savings account using automatic transfers. Then, set up another automatic transfer to move it back into your checking account in time to make payments. When using a savings account this way, check how many transfers you can make each month without incurring a fee. There could be a limit, though some accounts, including high-yield savings accounts, are currently allowing an unlimited number of withdrawals each month.

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4 Store your savings in a different bank than your checking account

People can fall into a trap of viewing the sum of their checking and savings accounts as their spending budget, Capalad says. Keeping your accounts at separate banks so that you see only your checking account balance can help you avoid spending more than intended. This tactic also makes it more difficult to quickly transfer from savings if you're tempted to spend more.

5 Turn on balance alerts

Some banks send an alert when your balance is low so you'll know when to hold off on purchases that might cause you to go over budget or even overdraft. You can often choose to receive these alerts by text, email or as a notification through the bank's app. Your account might also have more targeted alerts available. With Huntington Bank's Heads Up and Spend Setter tools, for example, you can set budgets to track spending by category and get alerts on your status. So if you create a monthly dining budget of $100, the bank will alert you when you've spent close to that amount at restaurants.

6 Try restrictive features to curb spending

Find an account that lets you take a stricter approach to avoid overspending. Ally Bank's Card Controls, for example, lets you set spending limits for specific transaction amounts or certain merchant categories. With a Discover checking account, you can temporarily freeze your debit card as a more extreme way to prevent spending — certain charges will still go through, but you won't be able to make any new purchases.

Whether you're comfortable with the idea of budgeting or new to the concept, there are ways you can use your bank account to stick to a budget. You might not get budgeting right on your first try, or even your first few tries. "Remember, this is all an experiment, and it's not a pass-or-fail kind of thing," Capalad says. "You'll find the system that works for you.

The article 6 Ways to Budget Using Your Bank Account was originally published on NerdWallet on September 9, 2021.

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The 5 Worst Investment Tips on TikTok

BY CHRIS DAVIS

Do-it-yourself is fine when the stakes are low; everything you need to know about patching drywall is on TikTok. But what about when the stakes are high? Would you rewire your home after watching a few TikTok videos? Probably not, and the same logic goes for financial advice.

Pouring your savings into an investment — or any product — being hawked on social media is generally a bad idea. But how will you know which bits of advice are legitimate, and which are bunk? Below, experts weigh in on the worst investment advice they've seen recently on TikTok and other social media.

1 The FIRE movement is for everyone

FIRE stands for "financial independence, retire early," and given how the movement has spread on social media, the acronym is apt. Chris Woods, a certified financial planner and founder of LifePoint Financial Group in Alexandria, Virginia, says that many of the core tenets of the FIRE movement are great: They focus on lowering your expenses, saving heavily, putting money into diversified index funds and generating multiple streams of income to help you retire early, which may all be sound financial decisions.

The problem is, everyone's financial situation is different. Financial planners spend a lot of time upfront learning as much as they can about someone's unique financial standing before making any recommendations. And for some, he says, the FIRE movement may be an appropriate goal. But it's not for everyone, and sound bites from social media influencers can't take your personal situation into consideration.

"So many people will do what these influencers are saying, even if it's not the appropriate thing for them," Woods says. "That's one of my big overarching disappointments or gripes with the influencers out there. Because a lot of times, they're talking about this stuff without context."

The next time you see someone living their best #vanlife and boasting how they retired at 30, remember you're seeing a highlight reel, Woods says. Their financial situation may have been completely different from yours, and there's no guarantee what worked for them is right for you.

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2 Forget about 401(k)s and IRAs

There's a thought out there that boring, long-established wealth-building strategies, such as funding retirement accounts like 401(k)s and IRAs, are outdated.

"This is all so faulty and so bad I don't know where to start," says Tiffany Kent, a CFP and portfolio manager at Wealth Engagement LLC in Atlanta.

Kent says that to stand out on social media, someone can't just talk about typical retirement accounts over and over again, no matter how proven they are. Boring doesn't inspire viewers to smash that "like" button.

Instead, they talk up new, complicated — and at times confusing — products, simply to stand out from the crowd. Sometimes the ideas are a bit contrarian, other times they're outright outlandish. But this approach, Kent says, is absolutely the wrong way to get financial advice.

"If it's boring, it's good," Kent says.

3 Precious metals are the best long-term play

Gene McManus, a CFP, certified public accountant and managing partner at AP Wealth Management in Augusta, Georgia, said by email that he's seen claims that precious metals IRAs (which invest in gold and silver instead of stocks and bonds) are a better choice than typical IRAs.

He said acolytes of the strategy argue that precious metals IRAs better protect your money from things like inflation, global supply shortages or a collapse of the financial markets.

But McManus disagrees.

"The long-term history and performance of gold and silver do not indicate that they are a rewarding asset class," he said. "There are short-term periods that they might outperform the S&P 500, but over the long term, they don't make sense to own, especially exclusively or overweight in a portfolio."

4 Hundreds of thousands of people can't be wrong

It's true that there's power in numbers. However, it's equally fair to say that mob mentality, echo chambers and hype can get in the way of rational decision making. Anthony Trias, a CFP and principal at Stonebridge Financial Group in San Rafael, California, says he's worked with clients who are investing in stocks they've heard mentioned on social media — no matter how staggering the claims of future potential — because of how many people were talking them up.

"There are going to be 300,000 people on social media saying one thing," Trias says. "But prudent investors block out the noise, do their due diligence and look at who they're actually listening to."

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Trias also echoes Woods' concerns. Validating investment ideas based on social media hype is problematic, he says, because investment decisions should be highly tailored to you and your needs — and that's just not possible on social media.

5 Your cryptocurrency will absolutely go to the moon

All the rocket emoji in the world couldn't give a valueless cryptocurrency long-term staying power, no matter who's pumping it.

Clayton Moore, founder and CEO at crypto-payment system NetCents Technology, said by email that while engaging platforms like TikTok have been instrumental in spreading the word about cryptocurrencies, they've also become breeding grounds for fraud.

"You've got to watch out for the crypto influencer who's just in it for a quick buck," he said. "The classic pump and dump."

Moore said it's common for crypto influencers to accept payment in exchange for making wild claims about a coin, only to abandon their support for it once the check clears.

"If it is too good to be true, 99% of the time, it is," Moore said.

The article The 5 Worst Investment Tips on TikTok was originally published on NerdWallet on July 29, 2021.

CHRIS DAVIS is an editor at NerdWallet.

CAREER AND LIFE ADVICE

Lifestyle Creep: Eroding Your Savings, One Raise at a Time

BY CHRIS DAVIS

The idea of anything creeping in unnoticed is enough to unnerve the bravest among us.

In the world of personal finance, it's the subtle, sneaking changes in spending habits that may be most chilling. The phenomenon is known as lifestyle creep, and it's one of the biggest — and most overlooked — barriers to building long-term wealth. However, once you know what to look for, there are strategies for keeping lifestyle creep far, far away.

"Folks agonize over negotiating pay or maximizing their returns by just a couple percentage points, but it's lifestyle creep that kills a lot of folks," says Ami Shah, a certified financial planner in Washington, D.C., and CEO of Steward, a financial planning software tool.

WHAT IS LIFESTYLE CREEP?

As income rises throughout your career, often expenses will, too. More disposable income might mean signing up for another streaming service or eating out more frequently. Or, it could mean buying a second home or a new car.

And it's here, "when your expenses continuously increase in lockstep with your income," that lifestyle creep can set in, Nilay Gandhi, a CFP and senior wealth advisor with Vanguard, said in an email interview.

On the one hand, it's only natural to increase your spending as your income rises. After all, we work hard to buy and do the things we love in life. It's when that higher spending happens mindlessly, rather than intentionally, that it becomes problematic, says Mary Lyons, an investment advisor and founder of the Benchmark Income Group in Dallas.

Perhaps you're spending more so your lifestyle can match that of your friends and family, or because you feel it's expected of you. You may even feel that by working so hard for it, you've earned the right to spend more.

(continued)

However, these thoughts and feelings may be signs that your higher spending is happening automatically, rather than intentionally, Lyons says.

"I think there's something to be said for living a life of design, as opposed to a life of default," Lyons says. "And when you allow lifestyle creep to take over, then you end up with a life of default."

Lifestyle creep can happen to anyone, no matter their income. Shah says that when her organization asked high earners (those with salaries of $100,000 to $500,000) to name their top financial challenge, nearly half stated an inability to save enough.

This highlights an important fact: There's no outearning lifestyle creep.

WHY IS LIFESTYLE CREEP DESTRUCTIVE?

One of the most detrimental side effects of lifestyle creep is that spending more inevitably means saving and investing less. This problem is particularly acute for younger savers, who have the most to gain from investing early.

Thanks to compounding, even small investments have the potential to grow significantly over a long enough period, said Gandhi, who's based in Malvern, Pennsylvania. But if your spending consistently increases with your income, there's none left for investing.

For older investors planning for retirement that's about five to 10 years away, lifestyle creep brings a different danger. These savers tend to be at the peaks of their careers in terms of salaries and bonuses, and often spend more lavishly on luxury items, such as homes and cars.

However, if they've been earning that high salary for only a short period, their savings may not be sufficient to continue that lifestyle in retirement.

"This either forces them to work longer or cut expenses in retirement — and both options can be difficult to stomach," Gandhi said.

Lifestyle creep can also lead to additional life stresses, Shah says. For example, if your lifestyle becomes dependent on a certain level of income, what happens if you want to switch jobs or careers?

"I've seen far too many people who are stuck in a job they hate because of this," Shah says.

HOW TO PREVENT LIFESTYLE CREEP

There are several ways to keep lifestyle creep at bay, but Shah, Gandhi and Lyons all agree the best place to start is to create a financial plan and a budget, and stick with both.

For Shah, the first line of defense is not overspending on housing, often someone's highest expense. Generally, she suggests clients keep housing costs below 25% of their net income. And, if the amount they're saving falls below 20% of their net income, that could be lifestyle creep crawling in.

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Lyons suggests paying yourself a weekly allowance to remain intentional about your spending, no matter how much money you make. She recommends her clients — even those earning more than $1 million a year — set up programs to automatically pay essential expenses. And then with what's left, they decide on an appropriate budget on a weekly cadence, rather than monthly.

"And what that does is really get rid of impulse spending," she says.

For example, if you're out of money on Thursday and your allowance comes on Friday, it's easy to decide to put off a purchase. But if you have to wait two weeks for a paycheck, it's much more tempting to charge it and pay it off later.

Earning a raise is a great opportunity to ward off lifestyle creep, Gandhi said.

He advised putting a certain percentage of the raise — 75% is a good rule of thumb, he said — into a pot that will help you meet your financial goals, whether that's retirement, stock investing, saving for a down payment or paying off debt. Then, whatever's left is yours to use however you want.

"This approach still allows you to reap instant gratification from every raise," he said. "You have 25% to allocate to your budget as you see fit while ensuring 75% is put towards your goals."

This, he said, is one of the best ways for anyone to set themselves up for financial success while evading the subtle-yet-destructive march of lifestyle creep.

The article Lifestyle Creep: Eroding Your Savings, One Raise at a Time was originally published on NerdWallet on August 23, 2021.

CHRIS DAVIS is an editor at NerdWallet.

How to Negotiate Your Way to a Richer Life

BY LIZ WESTON

Negotiating is an important personal finance skill that can help you earn more and pay less. Whether you're discussing a job offer, dickering at a car dealership or just trying to work out a budget with your significant other, the ability to bargain effectively can have a huge impact.

You don't have to be a jerk to be persuasive. The best negotiation tactics allow both sides to win, says Kwame Christian, host of the "Negotiate Anything" podcast and director of the American Negotiation Institute. Confrontational approaches — debating, badgering or insisting on your own way — make other people defensive and less willing to come to an agreement, Christian says.

NEGOTIATING SALARIES

Most managers expect job candidates to negotiate salary, but many people don't even try when they're offered a job, according to surveys by Robert Half, a human resources consulting company.

You can prepare for your negotiation by checking salary ranges from the U.S. Bureau of Labor Statistics, salary comparison sites such as Payscale or Salary.com, company review sites such as Glassdoor, or Robert Half's salary guides.

"People make the mistake of not preparing enough, and that's one of the single best things you can do to be effective in a negotiation," Christian says.

Good negotiators also write down a strategic plan that outlines what they want and how they intend to ask for it, as well as a list of good alternatives, he says.

In general, the person with more information should make the first offer because that's the "anchor" around which the discussion will revolve, Christian says. Wait for the person hiring you to name a figure so that you don't inadvertently ask way too much or too little. (If you're negotiating a raise for a job you already have, you probably have as much information as your manager and can be the first to name a dollar amount, he says.)

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Settle on the salary before switching to other forms of compensation, such as a flexible work schedule, a new title, the ability to work remotely and paid time off, he recommends.

"If you start off with the creative options, they might feel like they've given you enough," Christian says.

BUYING A CAR

In most negotiations, you'll want to preserve a good relationship with the other person. Buying a car, however, is typically a "purely transactional" interaction so you can bargain harder, Christian says.

Research the car you want thoroughly before you go to the dealership. Look for the invoice price on car comparison sites such as Edmunds.com and ask several dealerships to give you their best price on the car.

"Find the lowest-price comparison, and then use that as your starting offer," Christian recommends.

Knowing your bottom line — the maximum you want to spend on the vehicle — is particularly important because dealerships will often draw out the negotiating process to wear you down and get you to pay more, Christian notes.

"I need to know very clearly what my walk-away point is," Christian says. "And it seems so obvious, but people don't do this."

BUDGETING WITH YOUR PARTNER

A recent survey by Fidelity Investments found that couples who communicate well are more likely to expect a comfortable lifestyle in retirement, rate their household's financial health as excellent or very good and say that money is not their greatest relationship challenge.

But communicating well about money is hard, because "money is emotional," Christian says. He recommends calming those emotions by acknowledging and validating them and then asking your partner open-ended questions to find out why they feel the way they do.

He cites the experience of starting his own business, when his wife was distressed at the amount that they were spending. Christian was raised in an affluent family and didn't worry much about money, while his wife was raised by a single mom and experienced bouts of homelessness.

"Money is survival to her," Christian says.

Rather than discounting her experience or arguing, Christian says he asked a lot of questions and acknowledged that her emotions made sense, given her past.

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"If you just jump to problem-solving, the person doesn't feel validated," Christian says. "The emotional problem is still there."

Only after summarizing what each partner wanted did the couple start negotiating an outcome to meet both needs: "So I said, 'All right, my goal here is to make sure I can have a little bit of money to invest in the business; your goal here is to make sure that we have a certain amount of money in the bank account. How do we reconcile those two things?'"

Skipping any of these steps — or trying to have these discussions when you're tired or distressed about other things — risks alienating your partner and making matters worse.

"If you're very emotional, the first thing that you want to say is probably the wrong thing to say," Christian says.

The article How to Negotiate Your Way to a Richer Life was originally written by NerdWallet on September 16, 2021, and published by The Associated Press.

LIZ WESTON is a columnist at NerdWallet.

How to Protect Your Spending Power From Inflation

BY HAL M. BUNDICK, CFP®

Inflation — the rise in consumer prices — is a slow erosion of your money over time. Before 2021, the United States hadn't seen annual core inflation much above 3% for the better part of 25 years, says Michael Ashton, managing principal of Enduring Investments, a consulting and investing firm in Morristown, New Jersey.

So the 7.5% spike seen over the past year in the costs of fuel, used vehicles, groceries and just about everything else is the kind of sudden and systemic rise that can give a jolt to most peoples' everyday spending.

Ashton also says that the COVID-19 pandemic stimulus checks and tax relief, combined with the reopening of the economy, fed consumer demand but didn't replace product inventories. The result: shortages that lead to higher prices.

"Having supply chain difficulties is part of what inflation looks like," Ashton says.

With inflation chipping away at your spending power, how can you protect yourself?

EXAMINE YOUR SPENDING

- Trim discretionary spending, voluntary spending in categories like entertainment or travel, by just 5%. This is one of those incremental changes that isn't that difficult to do and goes directly to your personal bottom line.
- Don't delay a major purchase; prices will likely rise.
- Shop strategically. Buy more generic brand products and prescriptions. Save on necessary expenses by using coupons and store loyalty programs. Use membership cards (like Walmart+ and others) to pay 5 cents less per gallon for gasoline.

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LOOK FOR SAVINGS

- Eliminate any fees you pay for credit cards or bank accounts (late fees, monthly or annual service fees, ATM fees, etc.). Many banks are waiving such fees and credit cards often have fee-free options.
- Renegotiate bills like cable, streaming or cell phone for any possible savings. "I can say from my own personal experience–it's amazing how easy this is," Ashton notes. He says that every time he would call his cell phone provider, it would offer him a plan that was far better than his current one. "And it doesn't happen unless you call," Ashton adds. He now makes a habit of calling once a year and asking, "What's the best plan you have and should I be on that?"
- Reduce the number of subscriptions you have, even if by just one. "You should do an audit of those from time to time because sometimes they sneak in a price increase, and it just shows up on your credit card," Ashton says.

TRY TO BRING MORE MONEY IN

- Search for financial institutions that pay higher interest rates than you are earning now (if you are earning anything at all). Online banks and credit unions often offer high-yield savings accounts that sweeten returns, especially as interest rates rise.
- Perhaps the most powerful idea of all: Ask for a raise. If you haven't received an increase in salary in a few years, you've likely experienced what amounts to a pay cut because of inflation, Ashton says.

THE INFLATION-MATCHING SAVINGS ACCOUNT

Another inflation-fighting idea: Series I savings bonds. They were created specifically to protect consumers' purchasing power against inflation, says Zvi Bodie, professor emeritus in finance at Boston University. Bodie holds a doctorate in economics from the Massachusetts Institute of Technology and has become an avid proponent of I bonds.

I bonds rates are keyed to the rate of inflation, which lately has been over 7%, he notes. They are a perfect safe haven for near-term savings. And not a bad addition to your long-term nest egg, too.

A minimum investment in I bonds through TreasuryDirect.gov is only $25, and an individual can put up to $10,000 annually into the savings bonds with electronic purchases. The bonds pay fixed interest plus the inflation rate, adjusted twice per year.

You can withdraw your savings without penalty after one year, but if you cash them in before five years, you'll lose the last three months' worth of interest.

"So what you get is essentially a savings account that can't go down, and that's going to go up with inflation," Bodie adds. "Do I need to say more?"

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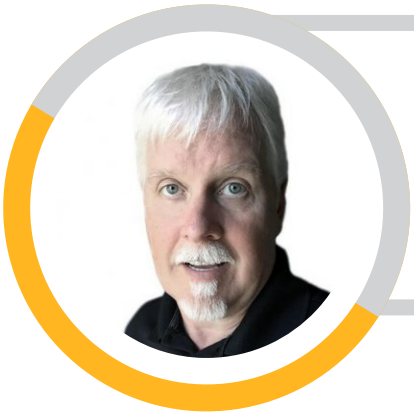
INFLATION IS NOT THE SAME FOR EVERYONE

Inflation hit a 7.5% national average in January, but that's not likely to be your inflation rate, says Ashton.

You may consume different items than the average person and you may not live in an average place, so your particular rate of inflation quite likely varies from the average, according to Ashton.

So, rather than agonizing over a single number as a spending power loss to recoup, use the small money moves above to improve your financial position slowly but surely.



The article How to Protect Your Spending Power from Inflation was originally written by NerdWallet on February 22, 2022, and published by The Associated Press.

HAL M. BUNDRICK CFP® is a writer at NerdWallet.

How to Handle Mixed-Income Friendships

BY LAURA MCMULLEN

Finally, as the country reopens, you're likely seeing more of your friends. Out with the video chatting and in with the high-fiving, hugging and, well, spending.

For every dinner, there's a check to pay; for every wedding, a gift to buy; and for every concert, a ticket to score.

You may notice that you and your reunited friends handle these kinds of expenses differently. Maybe one of you sees an $80 night out as chump change, while the other feels like a chump for desperately needing that cash for rent.

Here's how to reenter the world of socializing and spending while keeping friendships and finances intact.

IF YOU'RE THE FRIEND WITH LESS MONEY

Reflect on your finances and priorities, as well as how they may have changed during the pandemic.

"This is an opportunity for everyone to be more mindful about where they want to spend their time, money and resources," says Kathleen Burns Kingsbury, a Waitsfield, Vermont-based wealth psychology expert and host of the "Breaking Money Silence" podcast.

Consider what's important to you, she says, as well as the experiences you want to invest in and those you'd rather skip to save money. "Then you can decline invitations a little easier because you feel more solid in your decision," she says.

Say you realize that during quarantine you didn't mind PB&J for most meals, but you craved live music. Skip the fancy dinner plans and, if your finances allow, buy the concert ticket.

Or make your own plans if you're simply longing to catch up with friends. Host a potluck, movie night, bike ride or another more affordable hangout.

With this kind of intention, you're empowering yourself to make strategic financial decisions. Doesn't that sound better than bailing because money is tight?

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As Kingsbury puts it: "Instead of saying, 'I can't, I can't, I can't,' it's more about saying, 'This is what I'm going to do.'"

As you reflect on financial priorities, consider creating a budget to match them, says New York-based financial therapist Aja Evans.

A budget is a plan for your incoming and outgoing money — though you can call it something else if the B-word wigs you out. (Evans calls her family budget their "killing-it plan.")

The key word is "plan." No need to resort to a shrug or stress-fest when you're invited to a destination wedding or pricey brunch. With a budget, you already have an idea of how much you can (or can't) spend on those activities.

If you can't swing the event, trust that your friends will understand. "I would imagine that, after COVID, people really understand financial stress no matter their level of income or assets," Kingsbury says.

IF YOU'RE THE FRIEND WITH MORE MONEY

If you can afford the dinners and concerts, then live it up, Evans says. But try to understand that your friends can't always join you.

Be "empathetic and compassionate and — here's the hard part — not judgmental," Kingsbury says.

You may not know your friend's circumstances. Many people don't share when they're financially stressed, Kingsbury says, "because there's that judgment and shame." So give your friend the benefit of the doubt when she declines an invite.

And give your friend something else: time. As soon as you plan an outing or learn about a pricey event, tell them so they can try to plan for it, Evans says.

Even with that time, "be prepared that some people might not be able to make it work," Evans says. Allow friends to opt out or even participate in an alternative plan.

So if you invite friends to a destination wedding, for example, explain that you know it's an expensive request and understand if they can't join. Maybe you and your friends who can't make the trip go out to dinner locally to celebrate instead.

HOW TO TALK ABOUT MONEY WITH FRIENDS

These spending situations become easier when you and your friends can talk openly about money. If your buddy already knows you're saving for a down payment or supporting your parents, for example, she's more likely to understand when you pass on a winery trip.

And if you discuss finances with friends, you may be able to motivate and help each other. Maybe your friend knows of a first-time homebuyer program that could help you with that down payment.

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But, of course, money can be a loaded subject. To keep the conversation casual, avoid having it while you're already out spending money, Evans says. (Or while you're drinking.)

As for what to say, start with "I" statements, she says, as in "I've been looking at my finances and noticed ..." With this phrasing, your friend is less likely to feel defensive or pressured to share.

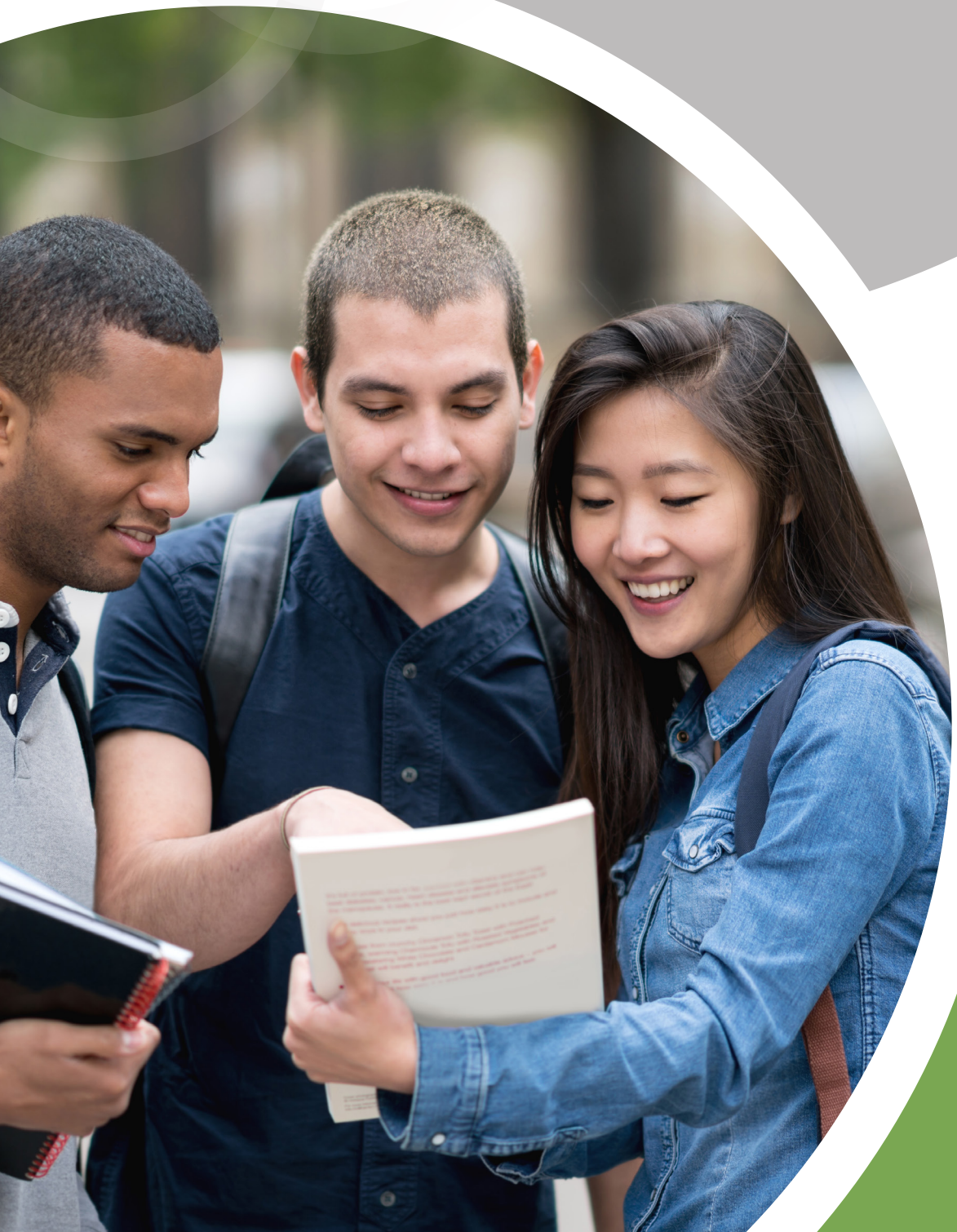
Or start with a more general, less personal chat. Share an article, Kingsbury says, or bring up the financial aspect of a news event or even celebrity gossip.

"Once people start to talk about money in general, then the conversation over time evolves," she says. And friends "become more vulnerable and willing to share."

The article How to Handle Mixed-Income Friendships was originally written by NerdWallet on August 9, 2021, and published by The Associated Press.

LAURA MCMULLEN is a writer at NerdWallet.

GIVE YOURSELF A LITTLE CREDIT



Building Your Credit: Myths and Reality

BY AMANDA BARROSO

When the COVID-19 pandemic hit, people were overwhelmed by the logistics of sudden and swift stay-at-home orders. Between school closures, supply shortages and new ways of working, there was little time for much else. As many adjusted their spending habits, they also took the time to think more critically about their finances — and some of the government-mandated credit concessions made monitoring credit an especially good idea.

A new NerdWallet survey conducted online by The Harris Poll in September asked more than 2,000 Americans how they have managed their credit score during the pandemic, beginning in March 2020.

Respondents were also asked to identify common misconceptions about credit scores. The results reveal that plenty of misinformation about credit exists, but it's possible to cut through the fog and build your score. The first step is some myth-busting.

Credit Score Myths and Tips

39%
of Americans think checking their own credit score can cause it to drop. It won't. Check your credit score often–it's a good barometer of your credit worthiness.

82%
of Americans think their credit report includes their credit score. It doesn't. The two are separate tools–track both to stay informed of what creditors see and identify problems early.

47%
of American think carrying a small balance on their credit card is better than paying it off in full. It's not. Carrying a balance not only costs you in interest, but also raises your credit utilization, which can impact your score.

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MYTH: CHECKING YOUR CREDIT SCORE WILL HURT IT

Although the survey shows nearly 2 in 5 Americans (39%) think checking their own credit score can cause it to drop, that's not the case.

The confusion might come from the two types of credit checks, called inquiries. Your score is unaffected when you check it yourself or when a lender checks it to pre-qualify you for card offers and other marketing purposes. Those are called soft inquiries.

The other type, a hard inquiry, happens when a lender checks your credit because you've applied for a new line of credit. A hard inquiry can drop your score a few points, but the effect is only temporary.

Checking your own score regularly lets you track your credit and spot signs of trouble early.

MYTH: YOUR CREDIT SCORE IS ON YOUR CREDIT REPORT

The survey findings reveal that about 8 in 10 Americans (82%) incorrectly believe that their credit report includes a credit score. Those are two different tools, although they are closely related.

Your credit report contains details about your past credit use and other personal and financial information. Your credit score, on the other hand, is based on the data in your credit report. That score, usually on a scale from 300 to 850, helps potential lenders assess the risk involved in granting you credit.

You have access to both your:

- **Credit report:** You're entitled to a free credit report weekly from each of the three major credit bureaus, and using AnnualCreditReport.com is the best way to request them. Reading your credit reports and disputing errors are good financial habits.
- **Credit score:** Many personal finance and banking websites offer a free credit score that you can use to monitor your progress.

MYTH: CARRYING A SMALL BALANCE ON CREDIT CARDS HELPS YOUR SCORE

Nearly half of Americans (47%) think that carrying a small credit card balance is better for their credit than paying it off each month, according to the survey. But all that does is cost you in interest. Paying off your balance in full also can help keep your debt load from creeping up higher than you can afford.

If you're interested in building your score, try this approach instead: Make a few smaller payments each month or time payments with a paycheck or another influx of cash. Continually lowering card balances instead of waiting for the monthly bill helps keep your credit utilization low, which has a big influence on scores.

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SO, WHAT'S TRUE ABOUT SCORES AND HOW TO BUILD THEM?

A few time-tested strategies will help you build your credit. Here's how to focus your actions on the scoring factors that matter most.

Pay on time every time

Paying bills on time is essential for building credit or maintaining strong credit because payment history is the single most important factor in credit scores. In fact, a payment 30 days or more past due can drop a good credit score 100 points.

If you're finding it hard to manage multiple due dates, try automating your payments — or at least minimum payments — so you don't miss one.

Use credit lightly

Using a maximum of 30% of your credit limits is another key for building a strong credit score, although remaining under 10% is ideal. Stay on top of your credit usage by keeping your credit limits in mind as you spend. Two strategies that can help you stay below 30% are tracking your spending and setting balance alerts. Requesting a credit limit increase is another option to consider.

Pay off card balances in full each month

Paying off your credit cards every month saves you in interest and may help keep you from overspending. If paying off your balance once a month proves difficult, try making smaller payments a few times a month.

Keep your oldest credit accounts open

The longer your credit history, the less risky you seem to potential lenders. Keeping your older credit accounts open is a great way to show you have a long and established credit history.

If you're new to credit, you can ask to be added as an authorized user on someone else's credit card account. Choose someone who has an established account and an excellent credit score. That person's account history and credit limits will be added to your credit reports.

The article Building Your Credit: Myths and Reality was originally published on NerdWallet on October 13, 2021.

AMANDA BARROSO is a consumer credit and debt writer at NerdWallet.

When It's OK to Let Your Good Credit Score Drop

BY BEV O'SHEA

If you've worked hard to achieve and maintain a good credit score, it can be upsetting to see it drop. But "life happens, and sometimes how you react is going to blow back and affect your credit score," says credit expert John Ulzheimer. People lose jobs, cars break down and pipes leak. Credit may be your safety net.

Painful as it may be, there are times when taking actions that hurt your score are prudent for your overall finances.

WHEN YOU HAVE AN EMERGENCY EXPENSE

If you have a big, unexpected expense that exceeds your emergency savings, using your credit cards to cover it can be a decent option.

You may have some temporary score damage from having a high balance on your card for a while. It's generally best to keep balances below 30% of your credit limit, and of course, paying in full every month is ideal. But the damage from a high balance should fade as new, lower balances are reported to credit bureaus.

Don't beat yourself up for not having saved enough. Emergencies don't necessarily match up with when you've saved enough, nor do they come one at a time. Cary Siegel, the author of "Why Didn't They Teach Me This in School?", strongly recommends developing a budget and building an ample emergency fund so you're protected in the future.

WHEN YOU'RE STRUGGLING TO COVER ESSENTIAL EXPENSES

Sometimes a crisis, such as income loss, makes it impossible to cover living expenses. Then, sacrificing a credit score is the lesser of two evils, Ulzheimer says. If you have to choose between paying your credit card on time and keeping the utilities on, keeping your family safe is more important.

If possible, try to make the minimum payment on your credit card before it's 30 days overdue. Your credit card issuer won't be happy and you'll probably have to pay a late fee. But creditors can't report you to the credit bureaus until your payment is 30 days past the due date.

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If you don't pay in that 30-day window, the creditor can report your account delinquent. That negative mark on your credit report will badly damage your score, and only time will undo the damage. It will stay on your credit report for about seven years, although the effect fades over those years.

Siegel advises getting in touch with creditors and explaining what happened, when you will be back on your feet and how you plan to repay them. They may be willing to give you more time, and you may be able to prevent damage from a late payment or negotiate a lower interest rate, he says. And asking can't hurt.

WHEN MONEY IS ON THE WAY

Siegel, the father of five young adults, cautions against an over-reliance on credit. But he's willing to make an exception for when income is imminent but bills are already here. A tax refund or payment for freelance work falls into this category.

If you know money is coming, credit can be a bridge until it arrives. Be prepared for a score ding as long as you are running a high credit card balance, then look for a rebound as you get it back down.

WHEN STARTING OR INVESTING IN A BUSINESS

Investing in a business is another time you may choose to use your credit, but keep the risks in mind. Siegel says that there should be a clear, detailed business plan that's much more specific than a great idea.

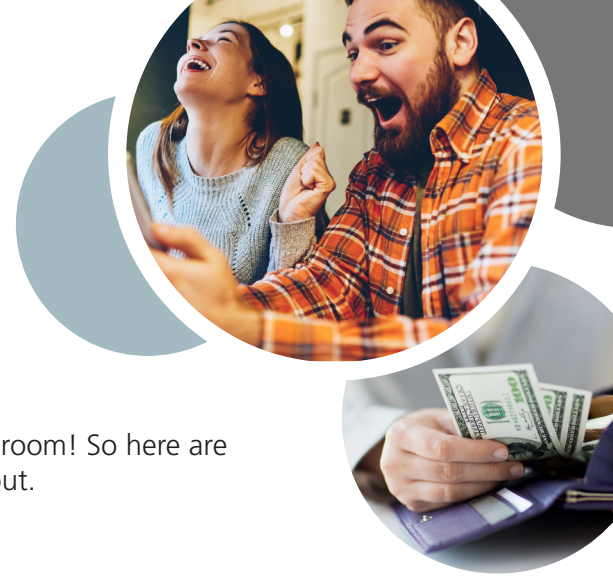
A good or excellent credit score might mean you qualify for an introductory 0% rate on a credit card. Or, you may have plenty of room on your existing credit cards to temporarily run a higher balance than you do normally.

"That could be a scenario that makes sense as long as you have a plan and the ability to know when it's time to stop this — this isn't working (as) I envisioned it," says Tom Quinn, vice president of FICO Scores, a credit scoring and data company. It can be tempting to go all-in, but don't let a business idea threaten your overall financial health.

The article When It's OK to Let Your Good Credit Score Drop was originally written by NerdWallet on August 12, 2021, and published by The Associated Press.

BEV O'SHEA is a writer at NerdWallet.

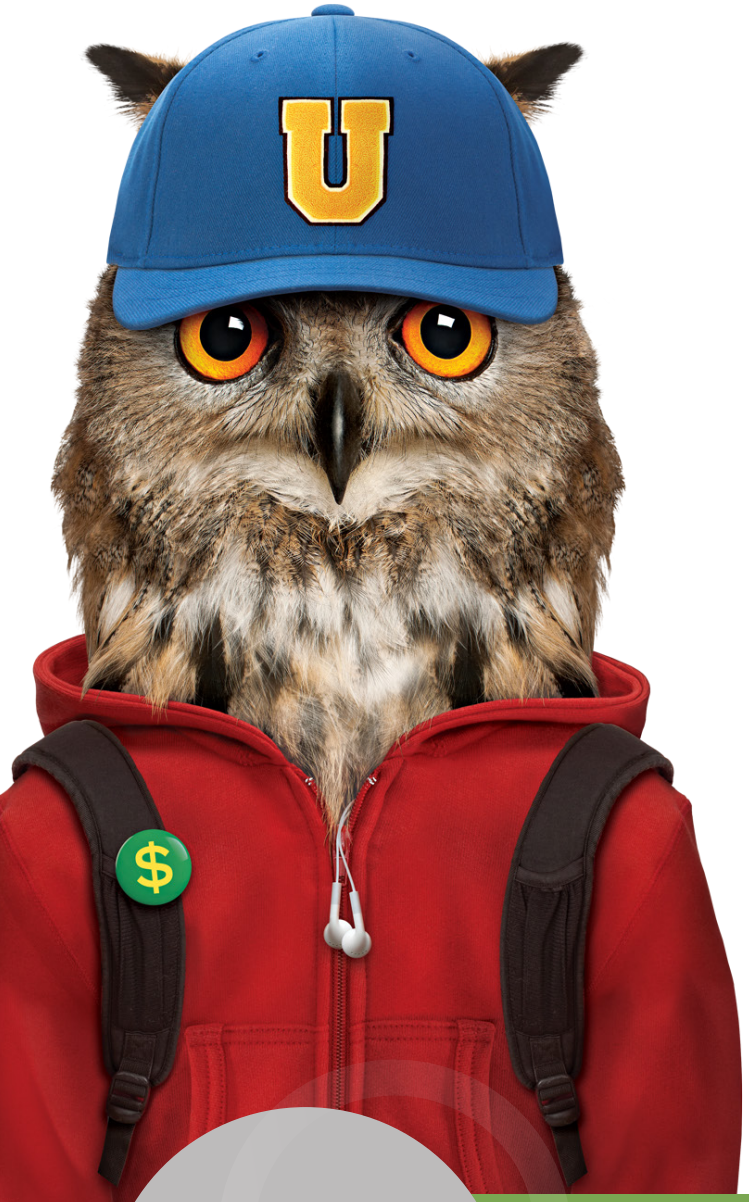
MORE TO EXPLORE



MORE FROM NERDWALLET

We had so much to share with our 2022 grads, we ran out of room! So here are some additional topics we thought you might want to check out.

- 9 Money Numbers You Need to Know
- Don't Just Pay Your Bills – Pay Attention
- How Gratitutde Can Help Your Financial Life
- Better Savers Spend Less Money on These 3 Things
- Smart Ways to Negotiate Your Salary in an Uncertain Economy
- How to Fill In Your Financial Blind Spots
- Care About Your Credit Score? Get Strategic With Card Limits



TACKLING STUDENT LOAN REPAYMENT DOESN'T HAVE TO BE HARD!

Inceptia knows that student loan repayment can be confusing if you don't know where to find the information you need. That's why we want to help the Class of 2022 proactively get a handle on student loan repayment — before it even begins!

With Inceptia's money mascot — **the Knowl** — as a trusty guide, graduates can use our Student Knowledge Headquarters to find answers, calculators, resource guides and more to prepare for and successfully enter into repayment.

Getting started is easy. Head to HeroKnowl.org to explore our free tools and information.

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About Inceptia

Inceptia, a division of National Student Loan Program (NSLP), is a nonprofit organization committed to offering effective and uncomplicated solutions in verification, financial aid management, financial education, and repayment wellness. For more than 35 years, Inceptia and NSLP have helped millions of students achieve their higher education dreams at schools nationwide. Our mission is to support schools in illuminating a path towards educational and financial success for students and families, allowing them to pursue their dreams of reaching their full potential. Our solutions are designed to support student success by helping financial aid administrators maximize resources, so they can spend more time delivering meaningful learning experiences across the student lifecycle that fosters education and personal development. Learn more at Inceptia.org.

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