CONSUMER CREDIT COUNSELING SERVICE OF ROCHESTER

RethinkingDebt.org

CCCS of Rochester/RethinkingDebt Headquarters: 1000 University Ave, Rochester, NY 14607 **FALL 2016**

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IRS Scams

By: Amy Guglielmino, Disbursement Specialist

There are a number of different phone scams that are currently going on, including people claiming to be the Internal Revenue Service (IRS). These types of scams are normally very sophisticated and convincing. The scammer claiming to be from the IRS will know your name, possibly be able to recite the last four digits of your Social Security Number and may know other personal information. The scammer can even spoof the caller id to make the call appear to be coming from the IRS.

With this kind of scam, the person claiming to be an IRS agent will say that you owe back taxes and that you need to make a payment. If you refuse or ask too many questions, the scammer may become very aggressive and threaten jail time, lawsuits or even to revoke your driver's license. On the flip side, the scammer can also say you are due a refund to gain banking information. There are a few ways to know if the call is a scam. **The IRS will never:**

Demand payment over the phone or ask for any banking information: this could include prepaid debit cards, checking or savings account information, credit card numbers or for a wire transfer

Ask for detailed personal information: This includes requests for PIN numbers and passwords, or access information for credit cards, banks or other financial accounts

Reach out to anyone via email: - If you do receive an email, do not reply, open any attachments, or click any links. Forward the email as-is to the IRS at phishing@irs.gov If you receive a call from a person claiming to be from the IRS, take down the individual's name and badge number. You can then call the IRS at 1-800-829-1040 and verify that you've received a legitimate call. If you do find that the call you received is a scam you can report it to the Treasury Inspector General for Tax Administration at 1-800-366-4484 or online with the Federal Trade Commission at www.ftccomplaintassistant.gov/Information.

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Retirement Tips

By: Robert Jacob, Team Lead

No matter what your age, there are ways to get ready for retirement! Here are a few tips to consider at different phases of your life to make sure you are on the right track to retirement readiness.

If you're in your 20s, you may have just graduated college or gotten your first full-time job. Once you've set a budget and created a plan to pay off any college debts, think seriously about how you can start to save some of your paycheck for retirement. This is important because you can let compound interest go to work for you. Each dollar you save now has the chance to grow larger over time. Do some research online or consider meeting with a financial advisor to get started.

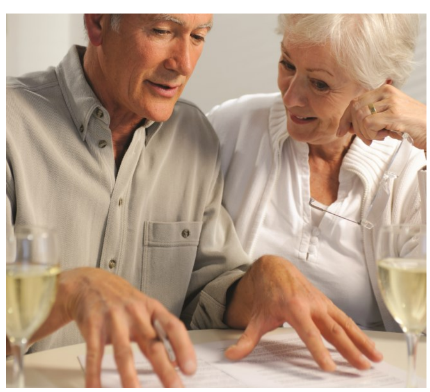
In your 30s, your career is coming into shape and you may have even hit some milestones, such as buying a house or starting a family. Being more established means having some additional resources — but also greater financial responsibilities. Don't let new expenses like a mortgage put a stop to your retirement savings. Now is the time for building a long term financial plan. With a growing family, consider how to keep contributing

(and increasing when possible) into your retirement savings account and while also setting up a life insurance plan and starting a college fund for your children. Doing these things now can help keep you from dipping into your retirement funds down the road.

In your 40s and 50s, retirement suddenly doesn't feel like such a foreign concept. At this point in your life, you likely have a stronger hold on your day-to-day finances and general expenses. Take that knowledge and use it to strengthen your retirement savings. Rather than focusing on a big nest egg number, start to think in terms of retirement income. You know how much money you need to cover your costs now, so think about how you should be saving to continue to meet those needs, wants and wishes each month, but without that regular employer paycheck. This may require adjusting your expectations or even delaying retirement a bit to make sure you can achieve your spending goals. You'll also want to consider how health care costs and Social Security benefits play in to the picture. As you near your target retirement age, you'll also want to make sure your investments align with your risk tolerance. Generally, the closer you get to retirement, the more conservative your portfolio should be.

After years of planning and saving, you're hopefully able to reap the rewards of retirement. Make sure to monitor your accounts and factor in unexpected expenses so that you can adjust your withdrawals accordingly. Also, make sure you're taking full advantage of your Social Security benefits by understanding when it's best for you to start claiming them. You can elect to start receiving your benefits as early as age 62, but by applying before your full retirement age, you risk receiving a reduced benefit. This is a great time to work with a financial professional or tax specialist who can explain your options.

With some careful planning, everyone can live a full life in retirement.



I Have How Many Credit Scores?

By: Rafael Ruiz, Client Support Specialist

Often we hear from our clients that they checked their credit score through a free site such as Credit Karma and were shown a high credit score but yet, when they went to get a loan or purchase a vehicle, they were then advised by the lender that their credit score was not high enough. How is this possible? Two different credit scores based on two very different models is the reason behind this occurrence.

The most common credit misconception is that there is only one score; when in reality, there are several dozen credit scores. Consumers in fact have multiple FICO scores, which vary based on which credit bureau is used to supply the data in the scoring formula.

The FICO score and the Vantage Score are two different scoring models. The Vantage Score was developed by all three credit reporting companies: Experian, Equifax, and Trans Union. FICO scores are developed by Fair Isaac Corporation, hence the term FICO.

FICO vs. Vantage Score

FICO

•In 1958 Fair Isaac Corp. created the first credit score model.

•In '81 they created the first scoring models for credit agencies.

•In '89 they launched the first FICO score for general-purpose.

FICO uses five factors from your credit report to calculate a three-digit rating. Things considered are:

1. Bill payment history – 35%

2. Total owed debt – 30%
3. Length of your credit history – 15%
4. Mix of credit types – 10%
5. How often you've applied for credit in the past – 10%

This produces a number between 100 and 850. Most creditors will set a cut off score in this range. For example, a borrower with a FICO credit score below 620 is often considered poor and will receive the highest interest rates, strictest terms, and more denial letters altogether.

The three major credit reporting agencies – Experian, Equifax and TransUnion – have to pay Fair Isaac to license and use the FICO scoring model. So the three of them created the Vantage credit score for their own use to save money. However, FICO is still the gold standard for lending/credit decisions. FICO scores are used in "more than 90% of lending decisions," and by 90 of the top 100 largest U.S. financial institutions.

Vantage:

•In March of 2006 the first version was launched. The Vantage Score range at the time was 501 to 990 (versus FICO's 300 to 850).

•In October 2010 the second version -2.0- was launched. It still ran on the same score range.

•In 2013, the score switched to a 300-to-850 range with its 3.0 model to more closely follow FICO.

The Vantage Score uses six variables from your credit report to give you both a three-digit rating and a letter grade from A to F. The six variables include:

1. Bill payment history – 32%
2. How much of your available credit you've used – 23%
3. Total debt including loans – 15%
4. Types of credit you've had and the length of your credit history – 13%
5. How often you've applied for credit in the past – 10%
6. Amount of credit you have available on your credit cards – 7%

Every 100 points on the score generates a letter grade. For example, a person with an 750 Vantage Score would have a "B" credit rating.

One big difference between the FICO Score and Vantage Score is that collections accounts, reported paid or not, are factored into you FICO score. Collections accounts that have been reported as paid in full are not factored into your Vantage Score. While paid collections accounts can still remain on your report for up to seven years, the decision to not include them in the Vantage Score helps consumers to move forward from past mistakes with debt.

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Credit Scores con't

It is important for a consumer who is monitoring their credit scores to check their progress as they build or rebuild credit, it's also helpful to compare the same score over time for consistency. You should also review your credit report from each of the three major credit reporting agencies, since the data in your credit reports are what your credit scores are based on. You can get your credit reports for free once a year under federal law through Annualcreditreport.com.

Monitoring your credit report is also a step in protecting against Identity Theft as any request for credit will result in a credit pull and this action will be reflected on your report.

http://www.experian.com/blogs/ask-experian/the-difference-between-vantage-scores-and-fico-scores/

http://www.moneycrashers.com/vantage-score-vs-fico-credit-score/

http://blog.credit.com/2015/01/fico-vantagescore-107383/

http://creditcardforum.com/blog/vantagescore-vs-fico-score/

http://www.myfico.com/crediteducation/fico-score-versions.aspx

https://www.creditkarma.com/article/VantageScore-3-0

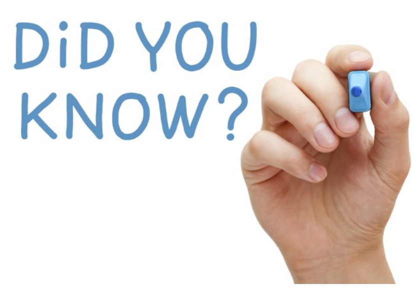
Ask CCCS

By: Pamela Hart, Client Support Specialist

How can I pay off my credit card debt faster?

Depending on your circumstance, a Debt Management Program may be your best option. With a Debt Management Program there are many benefits, for example you could get lower interest rates, accounts that are past due could re-age and late fees would end. But most importantly you would be debt free in 5 years or less.

If going on a Debt Management Program is not an option for you, or not something you are looking to do, then here are some strategies that you may want to consider.



• Target one debt at a time. Make sure you are paying at least the minimum payments on all your cards but then pay extra to one of your cards. Which one? You can compare interest rates and pay extra on the card with the highest balance OR pay off the lowest balance card. Once you have a card paid off apply the payment (and extra funds) to the next card.

• Pay More than the minimum. Pay a little extra on every card. Every dollar over the minimum goes towards the balance, not interest. The smaller the balance, the less interest that occurs.

• Apply any extra funds to your debt. Any extra income you get, put towards your debt.

• Analyze where you have been spending your money the most and cut back. Then apply the money that you have saved towards your debts.

• Call Creditors directly to see if they have any internal programs that can help you. If paying extra towards your credit cards is not permitted based on your budget and income and you are not looking to work with a debt management company, call the creditors and see if they can help.

Get Out of Debt in 2017

By: Andrea Colline, Outreach Coordinator

The holidays have arrived. This time of year while most of us are spending is also a great time to think about goals for the new year. Make the commitment to start a plan to meet your financial goals. Whether it is establishing an emergency savings, paying down debt or improving your credit record, it all starts with a plan. Here are a few tips to help you stay on track in the new year:

Step 1 – Create Goals

Think about the things that are important to you – what you would consider to be your values. Create specific goals that you can work toward through savings contributions or payments that will help you to support your values.

Step 2 – Find Your Current Bottom Line

Do an honest evaluation of your expenses and income for one month. Gather receipts for things like gas and groceries. Take a look at a few months' worth of bills. Find out what the difference is between your expenses and income given your current situation – not what you think your ideal situation should be.

Step 3 – Evaluate Your Spending

Everyone has their own spending patterns. It's very important to get an idea of what your personal spending habits are so you can find areas where you might be "leaking" money. This usually happens with the small things we purchase like coffee, drinks, lottery tickets, snacks. A great way to evaluate your spending is with a small notebook or piece of paper where you can document all of your purchases for one week in a journal format.

Step 4 – Consider Adjustments

Once you have a handle on what's going in and out month to month, you'll be in a great position to consider some adjustments to your expenses AND income. There's usually a lot more that can be done than you think. The main thing is to really think about and understand how those adjustments will allow you to be successful in reaching the goals you created.

Step 5 – Find Your New Bottom Line

Once you have thought about the adjustments you can make, see what those changes will do to your bottom line each month. Calculate the adjustments between your income and expenses. How much is left over? Are you able to break-even? Are you able to realize a surplus that can be used for your goals?

Step 6 – Create a Cash-Flow Tool

Another challenge in budgeting is having the ability to see ahead and understand what expenses should be covered at the right time. A cash-flow tool helps solve this problem. One great way to manage this is to use a calendar to map out all of your expenses and income on the appropriate dates.

Step 7 – Create a Savings Plan with Your Surplus

Remember that your financial goals are the foundation for your budget. Without a solid understanding of how your budget is helping you achieve those goals, it will be almost impossible to be disciplined enough to stick to it. This is where your savings plan comes in. Take your new bottom line and calculate how long it will take you to reach your goals. It's up to you to decide how your surplus will be allocated to each goal, but the important thing is to be able to see and understand exactly how and when you will be able to reach each goal.

Changes at CCCS for 2017

At CCCS of Rochester/RethinkingDebt, we work hard to protect the information that you share with us. If you have received an email from us recently, you probably noticed some new steps to take in order to read it. These steps ensure that the information we exchange with you is encrypted and remains safe. If you have questions about how to read our emails, visit our website at https://www.cccsofrochester.org/encrypted-email-procedures

In addition, we will be upgrading our operations software sometime in 2017 to ensure we have the latest technology. This change will hopefully be seamless to you, but bear with us if we have a few hiccups. Happy New Year!

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