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Establishing Good Credit in College

After you get that first card, how can you manage your FICO score?

Good credit may open doors. It is vital to securing a loan, a business loan, or buying a home. When you establish and maintain good credit in college, you create a financial profile for yourself that can influence lenders, landlords, and potential employers.

Unfortunately, some college students do not have good credit. In fact, Credit Karma says that the average 18-to-24-year-old has a credit score of 630. A FICO score of 730 or higher is considered good.[1]

What are the steps toward a good credit score? To start, you need to utilize credit. About 15% of your credit score is built on the length of your credit history, so the sooner you purchase goods and services with a credit card and pay off that debt, the sooner you create a record of credit use.[1]

Aim to reduce the balance to $0 every month. Does this sound like a challenge? It may not be if you just use a credit card to purchase everyday things. When you start splurging with a credit card, paying off the balance in full can become a problem.[1]

Pay your credit card bill on time. Roughly 35% of your credit history develops from your pattern of payments: how on time they are, how late they are. One approach to consider is scheduling automated payments from your bank account, schedule reminders, or just try to pay the bill as soon as it arrives.[1]

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Refrain from applying for 2-3 credit cards at once. About 10% of your credit score reflects your history of credit inquiries, so if you suddenly apply for another 2-3 cards, you could hurt your score.[1] Another potentially bad move is jumping from card issuer to card issuer – that is, getting a card, then closing that credit card account and opening a new one after a few months because you find another credit card with better perks. In doing this, you end up giving yourself a shorter credit history per credit card account.[1]

What if you have problems getting a traditional card? If you have no income, you might run into this – or, there might be other reasons that make it hard for you to qualify for one. If this is the case, consider going to the bank or credit union where you have a savings account and applying for a secured credit card. With these types of cards, you transfer some money into an account linked to the use of the card, and that amount represents your credit card limit. You can also ask to become an authorized user on a credit card held by one or both of your parents.[1]

You can potentially help your credit score in other ways. Consistent bill paying is a plus for your credit history. If you do become an authorized user on a parent's credit card and they use credit responsibility, just being linked to that account history could help your credit rating. If you are living off campus, you might end up co-signing a lease so make certain you understand you and your roommates' financial obligations. Financially negligent ones could hurt your credit rating if, for example, you are sharing utilities costs. With financially trustworthy roommates, you may avoid that kind of credit score damage. Lastly, if you move while in college, be vigilant about having your bills forwarded to you, to avoid missing payments.[1]

Citations.

1 - thesimpledollar.com/how-to-build-good-credit-in-college/ [10/22/19]

What if You Get Audited?

What the I.R.S. looks for and why.

"Audit" is a word that can strike fear into the hearts of taxpayers.

However, the chances of an Internal Revenue Service audit aren't that high. In 2017, the most recent statistics available, show the I.R.S. audited 0.5% of all individual tax returns. [1]

Being audited does not necessarily imply that the I.R.S. suspects wrongdoing. The I.R.S. says that an audit is just a formal review of a tax return to ensure information is being reported according to current tax law and to verify that the information itself is accurate. Remember, this article is for informational purposes only, and is not a replacement for real-life advice. So, make sure to consult your tax, legal and accounting professionals before modifying your tax strategy.

The I.R.S. selects returns for audit using three main methods.

Random Selection. Some returns are chosen at random based on the results of a statistical formula.

Information Matching. The I.R.S. compares reports from payers – W-2 forms from employers, 1099 forms from banks and brokerages, and others – to the returns filed by taxpayers. Those that don't match may be examined further.

Related Examinations. Some returns are selected for an audit because they involve issues or transactions with other taxpayers whose returns have been selected for examination.

There are several sound tax practices that may reduce the chances of an audit.

Provide Complete Information. Among the most overlooked information is missing Social Security numbers – including those for any dependent children and ex-spouses.

Avoid Math Errors. When the I.R.S. receives a return that contains math errors, it assesses the error and sends a notice without following its normal deficiency procedures.

Match Your Statements. The numbers on any W-2 and 1099 forms must match the returns to which they are tied. Those that don't match may be flagged for an audit.

Don't Repeat Mistakes. The I.R.S. remembers those returns it has audited. It may check to make sure past errors aren't repeated.

Keep Complete Records. This won't reduce the chance of an audit, but it potentially may make it much easier to comply with I.R.S. requests for documentation.

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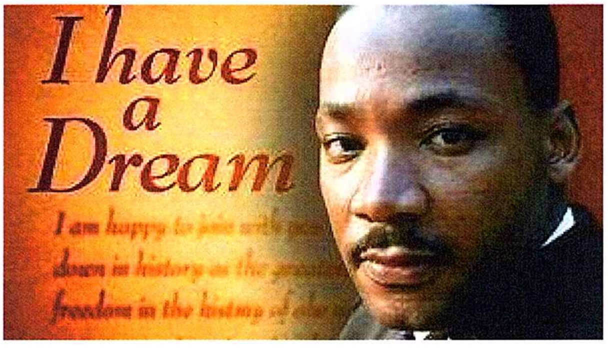
Our office and the Stock Markets will be closed on:

January 1, 2020 for New Year's Day

January 20, 2020 for Martin Luther King, Jr. Day



February 17, 2020 for President's Day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