

BUSINESS

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Help is Available to Get Finances in Order

By Jennifer Golz, The Star

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Savvy shopper Patrick Vincent, of Oak Lawn, said he thinks of his money as his future retirement and thinks twice before making even the most minor purchases. "I like to pay off my credit cards every month, and if I can't, then it's not worth having," Vincent said.

Vincent likely is not having to make financial resolutions as a new year starts, but many other south suburban residents will be vowing to get their money matters in order in 2005. It may not be easy, but many resources are available to help.

Vincent had to learn to manage his money quickly, when he was in a near fatal accident in 1997 that has left him unable to work more than a few hours per week. Vincent said he has cut back on comfort items and separated his purchases into "wants" and "needs". "I have learned to buy Fannie May, one of my weaknesses, after Christmas, when it is half off," he said. "I also comparison buy on-line, and I'll hunt down certain stores to make sure I get the best deal I can."

Vincent also uses the services of a financial planner to help him manage his money wisely. Cindy Menker, president of Contour Financial in Orland Park, said Vincent has command of money and is such a smart shopper that he has even given her some tips that show she now shares with other clients.

One of Vincent's tips, which is also a favorite of financial guru Suze Orman, is to walk away from a potential purchase. "When I go shopping, or when I make a purchase, even minor ones, I walk away and come back the next day if it's really on my mind," Vincent said. "Ninety percent of the time, it's not on my mind." Many of Vincent's financial practices mirror Orman's recommendations.

Through her own financial investing mishaps, Chicago south side native Suze Orman has evolved into a household name, with millions seeking out her television show or written columns to get financial advice each week.

"People who have the ability to make money must also have the knowledge they can invest their money," Orman said. "Credit card debt and living beyond your means is the fastest way to an unhappy life."

She said the \$50 sweater that was purchased using a credit card this holiday season will cost \$150 by the time it is paid off, if only the minimum payments are made on the credit card account. "If you give a gift that you cannot afford, then they (the gift's recipients) will feel obligated to give a gift they cannot afford," Orman said. "This year, try to stop spending the money you don't have to impress people that you don't even know or like."

While there is no “cookie-cutter” approach to saving money, Orman said, the first place to start for everyone should be to know their FICO score from each of the three credit bureau agencies” Equifax, Experian and Trans Union.

Named after the developing company, Fair Isaac Corp., FICO scores range from a low of 350 to the highest score of 850. The number is based on length of credit, past payment history, outstanding debt, types of credit and number of applications.

“It determines the interest rate you pay on credit cards, auto loans, mortgages, if landlords will rent to you, if cell phone companies will give you a contract and even if some employers will hire you and what your insurance premiums are,” Orman said. “It affects every financial move you make in your life.”

Orman said the difference between a low FICO score in the 500s and higher score in the 700s on a 30-year, fixed 6 percent mortgage is approximately \$375 a month. “If you want money, raise your FICO score,” she said. “It doesn’t cost any money, just a little time and understanding.”

Secondly, Orman said, to save money, eliminate unsecured debt, such as credit cards. According to National Score Index, a comparative statistics Web site from Experian, the average American has \$11,224 in unsecured debt.

“If you want a guaranteed 17 percent return on your investments, you must simply pay off your credit card debt,” Orman said. “There is nothing wrong with telling someone you have credit card debt and cannot afford something of it’s just too expensive.”

Finally, Orman advised: Unclutter your life in the new year to get a fresh start and perspective on your finances. “People have so much clutter, and they don’t know what they need or have and go out and buy more of what they already have,” Orman said.

While Orman said she doesn’t like New Year’s resolutions, because they are made to be broken, she said her dare to readers is to round up unused items from closets, garages, attics, basements and other hiding places. “If you total up how much you have waster, I bet it’s the exact amount of credit card debt you have,” Orman said. “Give it back to a nonprofit and get a tax deduction for it.”

Other deductions that taxpayers often overlook include invested funds that were lost throughout the year and health care costs, including doctor’s co-pays and prescription drugs.

Menker said a certified financial planner can help everyone from the first-time saver to the high-asset investor, it just depends on finding the right match for you financial needs. “You really have to reveal everything about your financial life. If you feel intimidated by a person, that’s not the right person for you,” Menker said. “It should be a mutual relationship, not the adviser telling you what to do. There needs to be feedback from the client as well.”

Vincent said Menker has helped him save money throughout the years, including Menker’s fees, as financial planners’ fees also are tax deductible. “Anywhere you cut corners, that money can be used for investments and savings,” Vincent said.

But, Orman said, “The real bottom line is, if you want to save money, educate yourself just a little bit on the mistakes you cannot afford to make.”