

Money for Life

January 2008

Dear Readers,

Credit can be a successful financial management tool. Using credit allows you flexibility in managing your budget to purchase goods and services when they are needed the most, not when you have the cash on hand to pay for them. You are offered credit because people trust you to repay them within a stated period of time.



Wise consumers keep credit use at a safe, manageable level, but this is difficult because reading contracts can be confusing and calculating the actual cost or finance charges requires knowledge and math skills.

It is important to remember:

- Budget your credit spending carefully.
- Shop around for the lowest total finance charges.
- You should establish a debt limit and stick to it.
- Credit contracts should be read carefully and questions answered before you sign.
- Do not depend heavily on credit to pay for day-to-day living expenses.
- Pay your bills on time to insure that you can continue to use credit.
- Credit is best used for items where their value will outlast the installment payments.
- Buying on credit nearly always costs more than buying the same item with cash.

Credit management strategies can be used to:

- Avoid the overuse of credit
- Lower the total amount of debt
- Shorten the term of debt
- Reduce interest and finance charges paid for the use of credit.

Periodically, get a copy of your credit report and check it for accuracy and completeness. This is especially important before making large purchases where you plan to use credit, such as for a car loan or a mortgage. In many cases credit reports have minor inaccuracies that need to be corrected. Sometimes there are errors that might result in your being turned down for a loan (to correct an incorrect credit report, use the form provided by the credit reporting agency).

If you have recently been denied credit, employment, insurance, or rental housing based on information contained in your credit report, you are entitled to a copy free of charge from the company that issued the report on which the credit denial was based.

Credit Reporting Agencies:

- [Equifax](http://www.equifax.com), 1-800-685-1111
- [Experian](http://www.experian.com), 1-888-397-3742
- [Trans Union](http://www.transunion.com), 1-800-916-8800

Online Credit Score Reports:

- [MyFiCO](http://www.myfico.com/), <http://www.myfico.com/>
- [Equifax](http://www.equifax.com/home/), <http://www.equifax.com/home/>
- [eLoan](http://www.eloan.com/), <http://www.eloan.com/>



America Saves (<http://www.americasaves.org/>) is a nationwide campaign in which a broad coalition of nonprofit, corporate, and government organizations help individuals and families save and build wealth. Services are provided to participants free of charge. Through information, advice, and encouragement, the America Saves program assists those who wish to pay down debt, build an emergency fund, save for a home, save for an education, or save for retirement. To participate in the America Saves program visit <http://www.americasaves.org/enroll/>.



FAQ Insurance

Do I need life insurance if I am 28 and single?

It is best to make financial plans based on your current lifestyle and marital status, not what it could be in the future. This is especially true if you are not currently in a long-term relationship. Therefore, if you don't have any dependents who are counting on you to provide for their needs, you probably don't need life insurance. You should, however, have adequate automobile and homeowner's (or renter's) insurance, health insurance, and disability insurance to replace your income if you are unable to work due to accident or illness.

What is the elimination period on a long-term care (LTC) insurance policy?

The elimination period is the number of days of care (provided at home and/or in a nursing home, depending on the policy) that someone has to pay for out of pocket before benefits begin. Generally, the longer the elimination period (e.g., 90 days versus 30 days), the lower the premium for a specific amount of LTC coverage. Be sure to "read the fine print" in a policy to determine when the elimination period actually begins and what qualifies. (For example, a policy may or may not count time spent in a hospital as part of the elimination period.)

What is the difference between term and whole life insurance?

If you want insurance protection only, and not a savings and investment product, buy a term life insurance policy. If you want to buy a whole life, universal life, or other cash value policy, plan to hold it for at least 15 years. Canceling these policies after only a few years can more than double your life insurance costs. Check the National Association of Insurance Commissioners Web site (www.naic.org) or your local library for information on the financial soundness of insurance companies.

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How can I get the best price for home insurance?

You can save several hundred dollars a year on homeowner's insurance and up to \$50 a year on renter's insurance by purchasing insurance from a low-price, licensed insurer. The Iowa Insurance Division (<http://www.iid.state.ia.us/>) can show typical prices charged by different licensed companies. Then call at least four of the lowest priced insurers to learn what they would charge you. Make certain you purchase enough coverage to replace the house and its contents.

"Replacement" on the house means rebuilding to its current condition. Make certain your new policy is in effect before dropping your old one.

How much homeowner's insurance should someone have?

You should insure your home for at least 80% of its replacement value. Insurance companies require this amount of coverage in order for you to be fully reimbursed for a partial loss. A licensed property and casualty insurance agent can help you determine a proper amount based on local housing values and building costs.

What is the benefit period in an insurance policy such as disability income insurance?

A benefit period, which is found in long-term care insurance policies as well as disability income insurance, is the maximum amount of time that benefits will be paid on behalf of the insured. In disability insurance policies, benefit periods can be stated as a number of years of coverage (e.g., three years) or as a specific age (e.g., coverage up to age 65). Generally, the shorter the benefit period, the lower the premium for a specific monthly disability income benefit amount.

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