

FLEX

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Read Contracts Before Signing

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When you hear the word "contract," you may start daydreaming about signing a multimillion dollar deal with a sports team. However, whether you realize it or not, many of our day-to-day decisions involve contracts.

Contracts are mutually binding agreements between two or more parties to do – or not do – something. It can be as simple as buying coffee or as complex as signing a mortgage for the next 30 years.

Here are some tips to keep in mind:

- Make sure anything you sign contains no unfilled blank spaces, even if the other party promises to fill them in a certain way.
- Don't be afraid to take a contract home for more careful analysis or to get a second opinion with a lawyer or financial advisor.
- Don't be pressured into signing anything.
- Make sure verbal promises are in writing. This is particularly important for terms like interest rates, down payments, discounts and penalties.
- Keep a copy of every document you sign.
- Take along a "wingman" if you're making an important decision like renting an apartment or buying a car. It's wise to have someone there to help ask questions and protect your interests.

Remember, contracts are designed to protect both parties. Just make sure you fully understand all details before signing on the dotted line.

New Credit Score Formula

Your ability to borrow is still determined by your three-digit credit score but the formula has recently changed.

- Scores are still 300 (bad) - 850 (great).
- Unpaid collections under \$100 (i.e. parking tickets or medical bills) are no longer factored in your score.
- The scores are now more sensitive to how much you use of your available credit. If your limit is lowered, you may be suddenly using a higher percentage of your available credit and be penalized.

THE POWER OF YOUR
FINANCIAL FREEDOM



Easier Paying for College

Thanks to the recent economic stimulus bill, paying for college may become a little easier. Some of the most popular education assistance programs are being expanded to offer more money to college students.

Pell Grants, free scholarships for lower-income students, have increased the maximum annual amount from \$4,731 to \$5,350 and could increase again next year to \$5,500! The grants never need to be repaid and can be used for tuition, books and living expenses.

The American Opportunity Tax Credit is an educational tax credit that reduces a student's or family's tax liability. It has increased the maximum, from \$1,800 to \$2,500, and can now be claimed for four years of college instead of just two.

The Federal Work Study Program has been given an additional \$200 million for part-time on-campus student jobs.

529 College Savings Plans can now be used for that much needed computer for all those school projects and term papers. Tax-free withdrawals from 529 College Savings Plans are now allowed for computers, in addition to tuition, room and board, and books.

When grants, scholarships and tax credits don't cover all your college expenses, you can turn to government-sponsored loans.

Perkins Loans are low-interest loans for students who demonstrate exceptional financial need. Interest does not start accruing until after nine months after graduation.

Subsidized Stafford Loans are also low-interest, need-based loans where the government pays the accruing interest during school enrollment.

Unsubsidized Stafford Loans are not need-based and students will have to pay for interest that accrues while enrolled in school.

PLUS (Parent Loan for Undergraduate Students) allows parents to borrow for their children's college expenses.

For more information, visit the Department of Education at www.ed.gov or fill out an application at www.fafsa.ed.gov (Free Application for Federal Student Aid).

FAST FACT

Debit Cards

Debit cards offer the convenience of plastic (security measures, not having to pay with cash) with the assurance of not over-spending because you are spending only what you have available in your checking account.

Tips to Maintain a Sound Credit Score

- Stay well below your overall and individual credit card limits.
- Never exceed credit limits or make late payments - this could dramatically damage your score
- Carefully review your credit reports regularly. You can order one free report annually from each of the three major credit bureaus at www.annualcreditreport.com. Use the reports to look for fraud and errors that could lower your score.
- You can also estimate your score using the free FICO Score Estimator at What's My Score, a financial literacy program by Visa (www.whatsmyscore.org/estimator).