

# BUILDING BLOCKS FOR RETIREMENT

## Retirement Planning Essentials

### Maintaining a High Credit Score When You Are Retired

When people retire, they often retire one or more of their credit cards. They also tend to buy less than they did in their prime years. Both actions -- as well as several others -- can lower their credit scores. Read on to understand why this happens, why it's not a good thing, and what measures you can take to maintain a high credit score when retired.



#### Why Your Credit Score Matters

Your credit record is a history of how well or how badly you've handled debt in the past. The information that goes into your credit record is gathered by consumer reporting agencies (credit bureaus). Your credit record determines your credit score. A good score tells lenders that you have paid your bills on time and managed your credit wisely. Lenders will generally offer their most competitive interest rates to borrowers with a good credit score.

Insurance companies and landlords may also review your credit record to assess your overall reliability when it comes to finances.

#### The Retirement Effect

During your working life, you may have several credit cards, finance an auto every few years, and make payments on your mortgage and other debts. If you have a history of making all your payments on time and taking a measured approach towards debt, it's likely that you have a very high credit score.

However, in retirement, you may have paid off your mortgage. You may also have fewer needs and spend less. Since you are spending less, you may not use your credit as much as you did in the past and may even decide to cancel one or two of your credit cards.

While all of this makes perfect sense from a money management perspective, your actions may have the unanticipated effect of lowering your credit score. The reality is that credit scores reward borrowers for having different types of loans. When you pay off a car loan or a credit card debt and don't assume further debt, you are lowering your credit score.

The same happens when you close out a credit card. It seems counterintuitive, but that's the way the system works.

Credit industry professionals say that a credit score in the 660-780 range is considered good, so you will want to try and keep yours in this range. It's still an important number, even for retirees, since insurers use credit scores as part of their overall criteria for setting rates. And your credit score may even play a part in whether you will be accepted into an assisted living facility.

### **What to Do**

After you retire, continue to use your credit cards regularly -- even if you have the cash to pay for goods and services immediately. Regular credit card use keeps your credit score up and you may even accumulate points for cash, hotel nights, or air travel. Just be sure to make your card payments on time.

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