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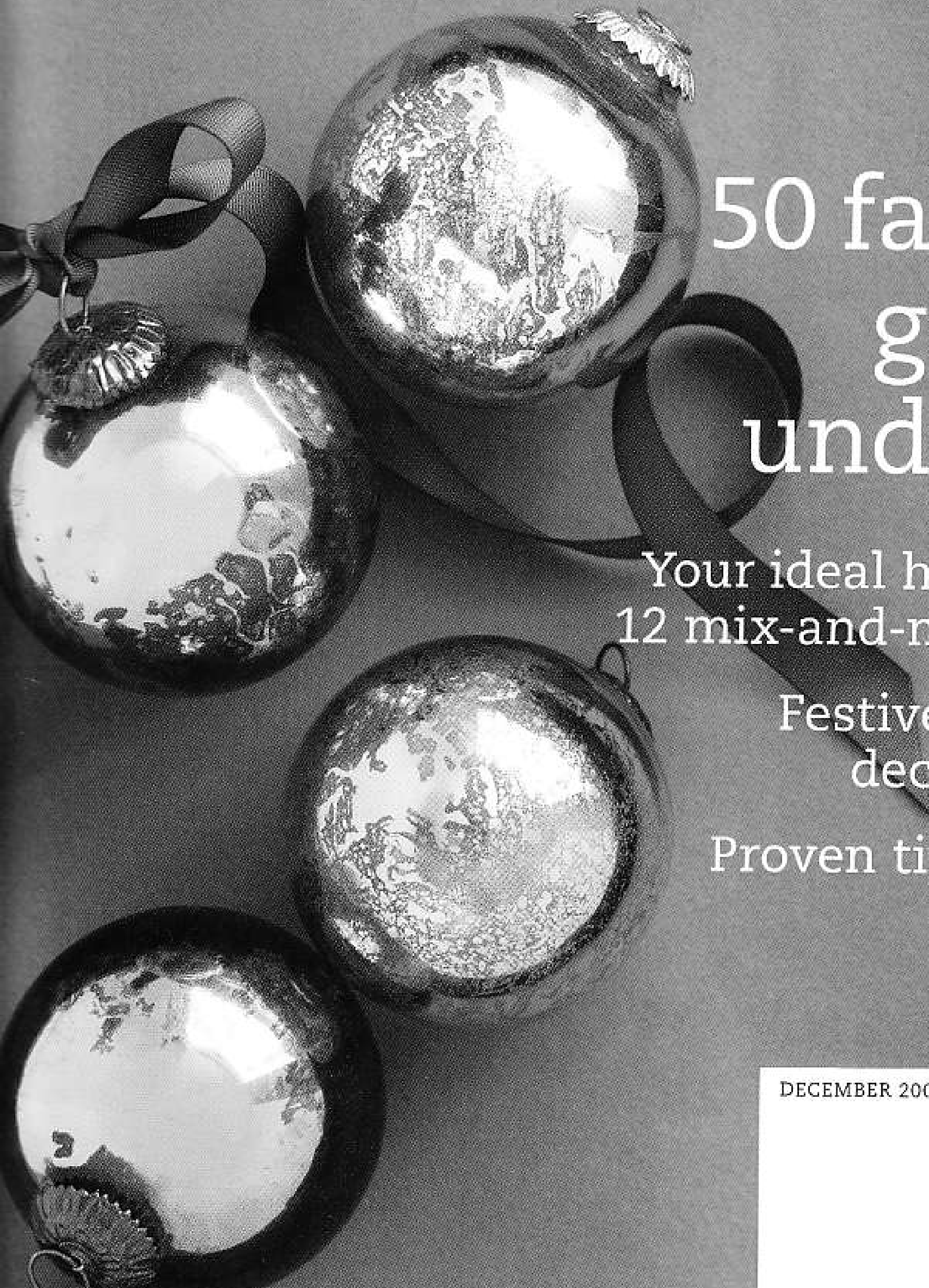

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money missteps that matter

Small-change mistakes today can wind up costing you big bucks tomorrow. How to **keep your financial foibles from owning you.**

WHO WOULD THINK that something as innocent as a forgotten $5 library fine could leave a mark on your credit score? (It can.) Or that paying your mortgage late—even once!—could make it tough to get a car loan? (It may.) While most of us fret over the big financial issues, like buying a home and investing in the right growth-stock mutual fund, we tend to dismiss the more minor money concerns. The thing is, those can cost us dearly, or even derail our financial future. Here, experts explain how to rectify eight seemingly small slipups so they don't hurt your fortunes down the road.

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PHOTOGRAPHS BY **LAURIE FRANKEL**

> "Money often costs too much."
> **Ralph Waldo Emerson,** *The Conduct of Life*

SMALL MISTAKE:
You overlook old library fines or parking tickets.

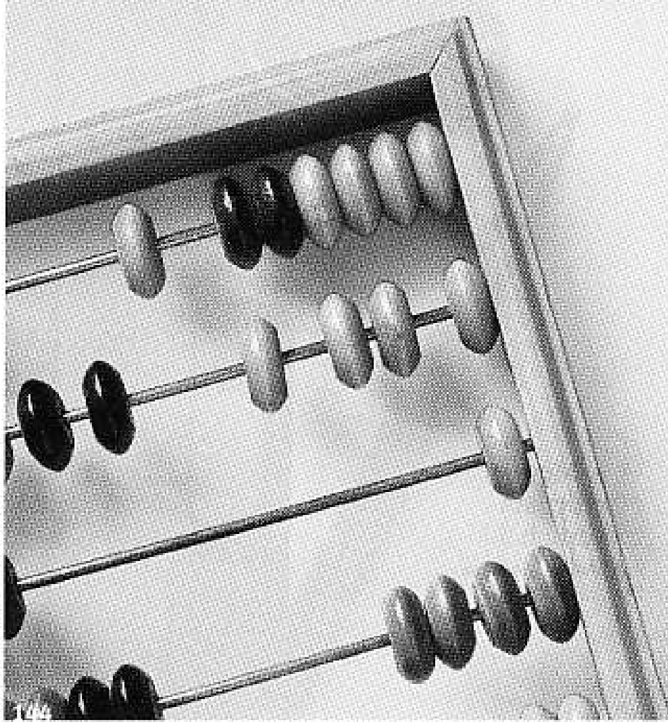
BIG COMPLICATION: To raise revenue, many U.S. libraries and municipalities are turning unpaid debts over to collection agencies. Once an agency takes over your debt, even if it is only $20, you can count on a big dent in your credit score—100 points or more, according to Craig Watts, a spokesperson for Fair Isaac Corp., the financial-management company that developed the FICO credit score, a number that determines a borrower's credit history.

CUT YOUR LOSSES: Take care of fines and tickets as soon as you're aware of them, and make sure the payments clear your bank account. If they aren't received and processed by the library or the city agency, your account will be marked delinquent. Also, check your credit report (it's free) at least once a year (annualcreditreport.com). If you find a debt there that isn't yours, follow the credit-reporting agency's steps to dispute the charge.

SMALL MISTAKE:
You carry even a small credit-card balance.

BIG COMPLICATION: If you pay only the minimum monthly payment on a $2,200 balance (the amount the average consumer carries), it could take you 12 years to clear the card. In that time, you will have paid an additional $1,968 in interest (calculated at a modest 14 percent).

CUT YOUR LOSSES: If you're already carrying a balance, look for ways to step up payments. If that's not possible, take out a personal bank or credit-union loan to pay off the card, suggests Kathryn Nusbaum, managing director of Middle America Planning, a financial-advisory firm in Pittsburgh. Some personal loans are not secured by an asset (so if you default, you don't lose your car, say), and their rates tend to be lower than those for credit cards.



SMALL MISTAKE:
You miss a mortgage payment or send it in late.

BIG COMPLICATION: "One late mortgage payment can knock 100 points off your credit score overnight, affecting your ability to get the best interest rates on car loans, credit cards, and the like," says Watts.

CUT YOUR LOSSES: "If you're unable to make your payment, call your lender right away," says April Lewis-Parks, director of education for Consolidated Credit Counseling Services, a nonprofit company based in Fort Lauderdale that offers debt-management programs throughout the United States. "They have loss-mitigation and hardship departments that may work out another payment arrangement for you for six months."

SMALL MISTAKE:
You keep your longer-term money in a basic savings account.

BIG COMPLICATION: Your money will earn only around 2 percent interest and won't be on par with inflation, which has been averaging about 3 percent.

CUT YOUR LOSSES: Leave $2,000 to $3,000 in a basic savings account, then put extra cash in a money-market mutual fund (in some cases, you'll need a minimum of $2,500 to open one). These accounts are fundamentally secure, says Nusbaum: When several money-market funds lost value during the fall 2008 financial crisis, the U.S. Treasury Department established a temporary guarantee program for these funds (see Is Your Money Safe? right). This type of account also has a better chance of surpassing inflation and making additional dough than a

is your money safe?

The failures last fall of banks like Washington Mutual may have left you wondering if your mattress isn't such a bad place to store cash. But don't hide your nest egg among the feathers yet. Several safeguards exist to protect your money if the institution it's in goes belly-up.

- For checking and savings accounts, certificates of deposit (CDs), and individual retirement accounts (IRAs), the Federal Deposit Insurance Corporation (FDIC) covers up to $250,000 per customer per institution for personal accounts and $250,000 for retirement accounts. (The amount for personal accounts was temporarily increased from $100,000 as part of Congress's bailout bill in October; it reverts at the end of 2009.) All national and Internet-based banks are FDIC-insured.
- For credit-union accounts, the National Credit Union Adminis-

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savings account does, Nusbaum says. For example, if you put $20,000 in a money-market mutual fund that earns 4.46 percent (vs. 2 percent in a basic savings account), you'll end up with an extra $7,000 after 10 years. Concerned about ready access to your money? Look for an account that lets you transfer funds to your checking account electronically or write checks directly from the mutual-fund account at no additional cost.

SMALL MISTAKE:

You wait too long to submit (or check on) an out-of-network health-insurance claim.

BIG COMPLICATION: You and your doctor could both be stiffed by the insurance company, and your doctor could demand the whole fee from you.

CUT YOUR LOSSES: Know your insurance company's "timely filing limit," says Nora Johnson, vice president of Medical Billing Advocates of America, a consumer-advocate group in Salem, Virginia. If you filed the claim late and owe the entire fee, consult a billing advocate (go to billadvocates.com to find one in your area), who may be able to negotiate what you owe. If the doctor's office was late filing but tries to collect the entire fee from you, pay your coinsurance and dispute the rest of the bill with the doctor's office. They filed late; they should absorb the difference, says Johnson.

SMALL MISTAKE:

You make an insignificant claim on your home owner's insurance.

BIG COMPLICATION: It can increase your monthly premiums, and you could be dropped as a customer. If dropped, it could be hard to find other coverage, as most companies share claim information.

CUT YOUR LOSSES: Before filing a claim, talk to your agent to help you decide whether to make the claim, advises Lamont Robinson II, a Chicago-

is your money safe?
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tration (NCUA) provides coverage identical to the FDIC's.

■ For brokerage accounts, check that your institution is a member of the Securities Investors Protection Corporation (SIPC, sipc.org). When a brokerage firm fails, customer assets are transferred to another firm, but in the rare

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based insurance agent for Allstate. You should pay small repairs (those less than $1,000 or less than your deductible) out of pocket. Also, raising your deductible to around $2,500 may lower your premium and deter you from making small claims.

SMALL MISTAKE:

You cash out your 401(k) when you leave your job.

BIG COMPLICATION: The loss of substantial future earnings. In 20 years, $2,500, the average 401(k) cash-out, can grow to $11,652 (with an average annual return of 8 percent).

CUT YOUR LOSSES: "Roll over funds into a personal IRA so your money continues to grow, tax-deferred," says Dean Schmitz of the Principal Group, in Des Moines, one of the largest U.S. providers of employer-sponsored 401(k) plans. In most cases, job hoppers can roll over multiple 401(k)s into a single account if the types of investments are the same.

SMALL MISTAKE:

You don't pay a student loan while you're out of work.

BIG COMPLICATION: If you stop paying a $20,000 loan with a 6.8 percent interest rate for 12 months, you'll pay an extra $1,360 in interest and fees, in addition to your original loan and accruing fees.

CUT YOUR LOSSES: Let your loan provider know that you're out of work. By law, every lender must offer programs for customers experiencing economic hardship, says Martha Holler, a spokesperson for Sallie Mae, the country's largest student-loan provider. One option: "Deferment, which is a set period of time when you don't have to make payments and the government may pay the interest," says Holler. If you don't qualify for a deferment, ask about forbearance, which lets you temporarily stop making payments and be considered current on your account. But interest continues to accrue, so you'll owe extra money at the end of your loan period.

is your money safe?

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event that a firm goes under due to theft or fraud, the funds of SIPC protect investors up to $500,000 per customer, with a maximum of $100,000 for cash claims.