

Nine steps to a better credit score

My husband and I are pretty competitive, always trying to one-up each other.

It was to my chagrin, therefore, when I learned that although my credit score is excellent, his is better. I have never missed a bill payment, never carried a balance, so what could be holding me back?

According to author and former financial adviser Kelley Keehn, there are lots of innocent things that can affect your score. For example, most people don't realize there are two important dates when it comes to paying off certain credit cards: the due date and the statement date. The statement date is when the card issuer reports your balance to the credit bureau, not the due date. So even if you pay your balance in full and on time each month, your credit score may not reflect that.

“Let's say my due date is Dec. 8 and I have a \$10,000 limit. I pay it in full before the 8th and won't be subject to any interest,” Ms. Keehn says. “But, let's assume my statement date is Nov. 15 – that's a very important date as it's the date the credit card company reports to the credit bureau, not the due date. Let's assume I make a big purchase on the 14th, say for a reno at my home, not thinking anything of it, and pay for some hardwood costing \$9,000. The next day the credit card company would report that I'm 90 per cent extended on my credit card.”

If you're not sure of your credit rating, you can get a free report from Equifax.ca or Transunion.ca that will include your credit history and current credit outstanding. For a small fee, they will include your credit score as well. A good score is 760 or higher, and anything less needs work to improve it, Ms. Keehn says. (To order a free credit report from Transunion, [click here](#). To order from Equifax, call 1-800-465-7166.)

She advises taking these steps to protect and improve your credit score:

1. Know your score. The score range in Canada is 300 to 900 – the higher the better – and reflects a person's credit history over the past six years. Only 5 per cent of Canadians have a score of 850 or better. Checking your score periodically can alert you to mistakes as well as credit fraud.

2. Pay your bills on time. Making a credit card payment even one day late will hurt your score. If you're paying online, send the payment at least three banking days before it's due to allow

enough time for the transaction to be processed. Setting up a small automatic payment to your card issuer each month will ensure you never forget to pay at least the minimum.

3. Never exceed your credit limit. If you're close to being maxed out, make sure you pay more than the minimum or the interest due could push you over your limit. Going even \$5 over your limit could lead to a costly fee from your credit card company and will hurt your score each month it happens.

4. Don't apply for store credit cards. Even if you're just after a one-time discount for signing up, these cards, with interest rates as high as 29 per cent, are viewed negatively by the credit bureau and drag down your score.

5. Spread out your spending. The percentage of available credit you're using each month affects your score, so it's better to have two charge cards at 50-per-cent capacity each than one that is maxed out.

6. Prioritize your payments. Important as they are, mortgage payments generally are not reported on Canadian credit reports, so it's more important to make your credit card, loan and lease payments on time.

7. Beware of closing accounts. Even if you're in a dispute with a lender, make your payments. A missed payment will show up on your credit report, can really hurt your score and is very hard to fix. When closing an account, get it in writing that it was closed with a zero balance.

8. Don't close unused credit cards. If you have a low-interest card you don't use, keep it open and use it periodically. Having a zero-balance credit card actually helps to improve a low score.

9. Don't apply for too much credit at once. Don't lease a car, sign up for a new cellphone and apply for a loan all in the same month or two. The credit bureau sees this as a sign of financial trouble. Beware, also, of being preapproved by several lenders before you're ready to buy. Although you can check your own credit rating without penalty, preapprovals from lenders count against your score.