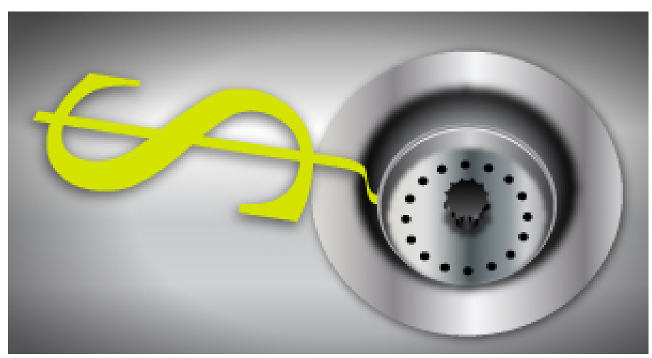
12 surefire ways to create money and credit problems

By Erica Sandberg (/credit-card-news/authors/erica-sandberg.php)

Want to run perpetually short on funds, rack up massive debts and decimate your credit score? While you're at it, perhaps you'd also enjoy fielding calls from demanding collectors, spending hours in court for lawsuits and bankruptcies and forfeiting whatever valuable property you have left.

Such dreams can come true by adopting any of the following common credit and money mismanagement habits. Each will trigger a special type of financial hardship, assure the experts, Combine any or all, however, and even more extreme misery will be yours.



1. Charge what you can't afford. This is easy. Just consider your credit card as you would cash in the bank, says Carey Ransom, an executive at Payoff, a debt refinancing company located in Costa Mesa, California. For example, charge unaffordable nonessentials, such as upgrading your new television to the latest curved model when you don't have the means to cover the cost. "Then make sure to only pay the minimum payment every month," says Ransom. You'll maximize the amount of interest that will be applied to the balance and hang on to the debt for years, if not decades.

2. Pay full price whenever possible. Kendal Perez, a savings expert at CouponSherpa.com, located in Windsor, Colorado, believes the quickest way to waste money is to avoid simple price-shaving techniques. First, shop without researching where you can get the lowest price, and second, never use coupons, as they provide instant discounts. You'll be sure to overspend across all budget categories, says Perez, and relish in the "feelings of frustration and defeat when you find a coupon for an item you already purchased, or find it better priced elsewhere."

3. Transfer balances to 0 percent rate credit cards, then make minimum payments. Of course you *can* use a low or 0 percent interest rate balance transfer offer to escape high finance charges, but why not pay more instead? It's achievable by sending the bare minimum to the new creditor. "When the 0 percent rate program ends and the higher interest rate kicks in again, you'll soon be right back to where you started," says R. Joseph Ritter, Jr., a certified financial planner at Zacchaeus Financial Counseling, headquartered in Hobe Sound, Florida. While you're at it, miss a few due dates, too, since it will cause the super low promotional rate to end prematurely.

4. Add balances to newly empty cards. Yet another method to wreck balance transfer offers is to fill up the now-paid off card with fresh charges. "As you continue to increase your outstanding credit card debt and your number of accounts with balances, your credit scores will begin to fall," says Michelle Black, a credit expert at HOPE4USA.com, a credit assistance program. "Instead of making a plan to get out of credit card debt by paying off your newly consolidated balance, you will be setting yourself up for a financial and credit catastrophe in the not-so-distant future."

5. Neither know nor adhere to creditor contracts. Who wants to read all those boring terms printed in little letters on the credit application? Or pay when and in the amount the issuer expects (and what you promised when you signed the contract)? Not you, if collection action and getting sued is your aim. "Soon you will have debt collectors and lawyers bringing action to recover the monies borrowed, plus interest and fees," says David Reischer, a New York lawyer and chief operating officer of LegalAdvice.com. "The final result will be ruined credit and money judgments from the court." The end result may be putting such assets as cars, homes and wages in jeopardy of being claimed by creditors.

6. Apply for credit frequently. Damaging a FICO score by applying for loans and credit cards can be tough, since at 10 percent of the score, such inquiries are a minor factor in their calculation. You can overcome this obstacle, though. "Apply for as many as you can and hope you receive at least one," says Katie Ross, education and development manager for American Consumer Credit Counseling out of Auburndale, Massachusetts. "That includes offers sent to you." Issuers still need to complete a credit check, so will update the credit reporting agencies that you applied. Eventually all those applications will reduce your score.

7. Deal with your financial matters tomorrow. The great news is that tomorrow is always in the future, so you'll never actually have to do anything! No monitoring bank statements, sending bills by the due dates, or contacting creditors who want to help you gain control before it's too late. Therefore, always procrastinate or deny problems, says Thomas Nitzsche, spokesman for ClearPoint Credit Counseling Solutions. Distress, if not total disaster, will be within reach. "Increased interest rates and fees are some common results," says Nitzsche, "but delays can also result in missed opportunities such as a write-off of a medical bill, saving money on a major purchase, reduction of a cable or cell bill, a modified mortgage or even an avoided bankruptcy or foreclosure."

8. Borrow against your paycheck. Payday lenders may claim that their products are prudent for employed people hit with unexpected bills, yet with typical fees for a two-week loan being $15 for every $100, they're quite expensive. You can increase the cost dramatically by rolling them over for another 14 days, for another fee. Most customers do, says Liana Molina, payday campaign organizer for the California Reinvestment Coalition, an organization that helps disadvantaged communities gain equal access to financial services. If you continually roll over the loan, says Molina, eventually you'll be out "hundreds more in fees or interest until you can finally pay the loan off for good."

If you have hopes of getting denied for a loan, never checking your credit report is one way to achieve that goal.

-- Sonya Smith-Valentine
Attorney

9. Satisfy a steady stream of credit card balances with your home's equity. With a mortgage, you'll own your home outright after a fixed number of years. You can push that day off to eternity, however, by constantly racking up consumer debt, then paying it with a home equity line of credit. According to Mike Kruczek, chief lending officer at DFCU Financial, a Dearborn, Michigan, credit union, these secured credit lines are converted into fixed-rate loans after a specified period of time. "If a borrower is paying only the required monthly minimum and not making a dent in the principal, the conversion could result in a high monthly payment," says Kruczek. Can't pay the loan? Foreclosure can follow.

10. Wait until bills are paid to save money. To properly plan for the future, the standard advice is to pay yourself first by arranging for a set sum to be deducted from your checking account every month. By waiting until after you've satisfied your expenses, odds are you'll have nothing left over. "You'll find something to spend it on," says Ed Snyder, co-founder of Oaktree Financial Advisors, in Carmel, Indiana. "Do this for 30 years and one day you'll turn around and have no retirement savings. As a bonus, if you have an emergency such as a car repair or a broken water heater, you won't have any money to pay for it so you can put it on your credit card and worry about it next month."

11. Never check your credit reports. "If you have hopes of getting denied for a loan, never checking your credit report is one way to achieve that goal," says Sonya Smith-Valentine, a Maryland attorney who specializes in banking and credit reporting issues. As an added bonus, you'll miss mistakes (including possible bills that aren't yours or collection accounts that are falsely showing up as outstanding) that will reduce your credit score. Such errors can even impact your employment opportunities, as some companies check your credit to see if you're financially responsible.

12. Get financial advice from your broke cousin Frank. He's eager to tell you what to do with your savings! Steve Scanlon, co-founder of the Dallas financial services company GuardVest, says there is no shortage of people who know zilch about money management, but who are more than willing to share their secrets of success. Why receive guidance from educated fiduciaries (such as registered investment advisers) who are required by law to do what's right by you, when you can get banking advice or hot stock tips from any blowhard? "It's like having a friend who works on cars perform your heart operation," says Scanlon. The danger of losing a nest egg can be thrilling!

And so you have it -- the ultimate guide to guaranteed money and credit misery. On the off chance the outcomes are not appealing after all, just reverse the professionals' advice. True, the excitement that living on the financial edge brings will be gone, but a life of comfort and security may be more alluring than you think.

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