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## **Switching It Up: What to know about moving your money**

Hopscotch brings back childhood memories. I'd jump from one box to the next, doing my best not to fall on my bum. Now that I'm older, is it right to play hopscotch with my accounts and credit cards?

### **Rate shoppers**

Our grandparents' generation is famous for trying to get the best deal. It's good to learn from our elders, so to borrow an expression from grandpas everywhere, keep your eyes peeled for negative effects of switching deposit accounts.

First, determine if the higher interest earnings are really going to pay off. Consider the pre-existing relationship you have with your current financial institution: If automatic payments and deposits are linked to an account and you get good customer service, a slightly higher interest rate at another institution might not offset the hassle of switching everything to a new account. Missing a payment because you forgot to update the account info could also offset the higher earnings with a fee.

Second, find out if the financial institution uses "hard pull" inquiries to your credit report when opening an account. Many financial institutions use hard pull inquiries only for credit and loan accounts, but some use them for deposit accounts as well. A hard pull inquiry stays on your credit report for two years and lowers your credit score by up to five points for six months. If you open several accounts that all utilize hard pull inquiries, your credit score could take a significant hit. (To learn more about inquiries to your credit report, search "credit inquiries" at [myfico.com](http://myfico.com).)

### **Credit card hopscotch**

Credit cards are a whole different beast. Any time you open or close a credit card account, it's noted on your credit report. This can be good or bad.

Part of your credit score is determined by the amount of credit you have available and how much you're using, called credit utilization. For example, if you're utilizing \$900 on a credit card with a limit of \$1,000, your credit utilization will be higher (90%) than if you are utilizing \$900 on two cards each with a limit of

\$5,000 (9%). Generally speaking, the higher your credit utilization, the lower your credit score.

Creditors *want* a credit history. When you close an account, it is removed from your credit report after 10 years. Once it's gone, so is all its history. If the history was good and helped your credit score, closing accounts could mean a lower credit score than you might have earned.

Here's a rule of thumb: Keep two credit cards open for the long term, pay them on time and keep your overall credit utilization as low as possible (no higher than 50%--the lower the better). Check your credit report at least once a year. You can get a free credit report from each of the three credit reporting agencies at [annualcreditreport.com](http://annualcreditreport.com).

**Bottom Line:** With 16,076 federally insured financial institutions in the U.S., there are numerous options for switching accounts. While you always want to make the most of your money, make sure to analyze whether or not playing hopscotch is worth it--for both your wallet and your credit score.

*Sources:* investopedia.com; lendingtree.com; bankrate.com; myfico.com; getrichslowly.org; fdic.gov; ncu.gov; kiplinger.com

### **Stats**

1.084% was the average rate for a high-yield money market or savings account as of October 2009.

*Source:* bankrate.com

Average certificate rates, as of December 2009:

6 months--1.25% APY

1 year--1.75% APY

5 year--2.95% APY

*Source:* bankrate.com

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