LIFESTYLE / RETIREMENT

Why your credit score matters even when you're retired

JJ Burns, CEO of JJ Burns & Company in Melville says in a cash crunch it's more advantageous to withdraw from a home equity than by liquidating an IRA portfolio, which is 100% taxable. Credit: Giorgio Niro

By Sheryl Nance-Nash
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When you're retired some things don't matter anymore, like what time you go to bed or what you're wearing tomorrow. Some stuff though, sticks to you forever. It's a myth that in retirement your credit score is inconsequential.

Maybe you're wondering why you need to worry about it, your mortgage is paid off and you're not on the hunt for a new car as you've decided to make do with Betty Lou until death do you part. But think again. Here's why your credit score still counts.

Stuff happens

You want options. For example, you could change your mind about where you want to live and decide to upgrade, meaning you'd need to take out a new mortgage. A good score ups the odds that you get the best interest rate.

Life takes turns. Let's say a spouse had a significant stroke and the well spouse had to handicap proof the home, which required borrowing money to do so. "It could have been quite costly to withdraw money from their portfolio as it could have incurred significant capital gains taxes. Furthermore, they could have potentially had to sell assets at depressed prices. The loan was inexpensive and easy to get with good credit," says JJ Burns, CEO of JJ Burns & Company in Melville.

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Or say a spouse is suffering from a long-term disabling illness where he needs significant day care and the family has a portfolio that is primarily invested in taxable IRA-type portfolios. It's more advantageous to withdraw from the home equity than by liquidating an IRA portfolio, which is 100% taxable. Of course there are government-type programs but any degree of wealth would not always work to qualify for government aid, Burns says.

Always check with your tax professional and financial planner as circumstances differ for each, Burns adds.

Remember, says Nishank Khanna, CFO of Clarify Capital in Manhattan, "Eligibility for competitive financing still matters when you’re 80, just as much as it did when you were 18, because you're still vulnerable to unplanned expenses."

You’ll be asked for your credit score

The credit score has become essential beyond borrowing, which is all the more reason for you to keep your score top-of-mind and the best it can be even in retirement. Entities like cellphone companies and insurers may require a credit check. Some retirement communities may also require a credit check and security deposit to move in, says Leslie Tayne, a debt resolution attorney with the Tayne Law Group in Melville.

Also, if you decide to work part-time in retirement, an employer may take your credit score into account.

Maintain a good score

The steps are the same no matter your age. Make on-time payments and keep your balances low.

The length of your credit history also plays a role in your credit score. "As a retiree, you’ve likely spent many years building up your credit history. As a result, consider focusing on keeping your accounts open and active so as not to shorten the length of your credit history. Closing old accounts or having them closed due to inactivity will decrease the length of your credit history and ultimately hurt your score," Tayne says.

Watch out for scams: Scammers target retirees because they may be less aware of predatory practices. Says Tayne, "Keep a close eye on your credit report to look for suspicious activity, which can cause your score to drop at no fault of your own."

To improve your score, pay your bills on time, keep balances to 10% or less of the available limit on your card and keep your older cards as credit history length matters.

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