



*New York State Comptroller Thomas P. DiNapoli*

# Your Money

## New York

Summer 2008

**Office of the State Comptroller**  
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### SAVE FOR COLLEGE AND SAVE ON TAXES!

The Comptroller and the Higher Education Services Corporation jointly oversee New York's 529 College Savings Program.

This program helps you build college savings and save money on your taxes at the same time.

Go to

[www.osc.state.ny.us](http://www.osc.state.ny.us)

for more information.

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## Message from Comptroller DiNapoli

Welcome to the summer edition of *Your Money New York*.

It's no secret that our economy is facing difficult challenges. Nationwide, we've seen a significant downturn in the housing market while the price of fuel and food has been increasing steadily. One indicator of the ongoing challenges we're facing is reflected in the increase in consumer credit card debt. Earlier this month, the Federal Reserve released its report on consumer credit, showing that borrowing increased by nearly \$9 billion – approximately \$2 billion more than expected.

As the cost of basic necessities increases, consumers appear to be relying more heavily on credit cards to make ends meet. To help consumers avoid going even further into debt, this newsletter includes important tips on how to boost your credit score and how to avoid identity theft. I have also advanced a bill to the State Legislature to require credit card companies to improve their disclosure of fees and interest charges to provide consumers with a better understanding of the cost of their debt.

In these difficult economic times, we need to do everything we can to protect our hard earned money and prevent our financial situation from reaching a point where it is difficult to get out from under the additional debt we've taken on. My office will continue to identify many of the pitfalls that may lead consumers unwittingly into unsustainable amounts of debt.

New York's economy has weathered many financial storms over the years. By making better decisions with our money now, we can set ourselves up for a quicker recovery when this economic downturn finally subsides.

Sincerely,

Thomas P. DiNapoli  
State Comptroller

## Proceed with Caution: What You Need to Know Before Borrowing from Your Retirement Accounts



“A survey by the Transamerica Center for Retirement Studies estimates that 18% of workers had retirement loans outstanding in 2007, up from 11% in 2006.”

Many Americans are having a hard time making ends meet. The costs of basic needs are increasing rapidly, while at the same time wages are stagnating and home values are declining. As a result, family budgets are strained to their limits.

For those with retirement savings, it may be tempting to dip into those accounts to weather these difficult times. A survey by the Transamerica Center for Retirement Studies estimates that 18% of workers had retirement loans outstanding in 2007, up from 11% in 2006. The New York State and Local Retirement System currently has almost 130,000 pension loans outstanding.

It is important to know, however, that there are long term consequences and other risks associated with borrowing from your IRA, 401(k) or other retirement accounts which could hurt your future financial security. That is why many financial advisors recommend avoiding such loans if at all possible.

Some things to consider before taking a loan from your retirement savings:

- **Repayment Requirements.** Retirement loans have to be repaid in full within as few as 30 days if you lose or change your job. If you can't afford to pay the loan back in full, you will owe income tax on the amount you can't repay, plus up to 10% in penalties. Also, these loans typically have a relatively short, five year payback requirement.
- **Tax Consequences.** Your retirement contributions are made with pre-tax dollars. However, you will pay taxes twice on money you borrow from a retirement account. Although the loan itself is not taxed, you must pay it back, with interest, using after-tax dollars. You will be taxed again when you withdraw the repaid monies upon retirement.
- **Loss of Contribution Growth.** Because of how compound interest works, you will lose a lot more money over the long term than you are taking out. This is because you are no longer earning interest on your money and no longer reinvesting those earnings from the contributions you borrow, but instead *paying* interest on your loan.

## Help Us Uncover Government Waste, Fraud & Corruption!

Comptroller DiNapoli has made it a priority to uphold the highest standards of integrity in government and to make sure that public funds are being used for their intended purposes. To accomplish this, the Office of the State Comptroller (OSC) has created a toll-free hotline for New Yorkers to report government waste, corruption and fraud. This hotline connects callers to the Division of Investigations within OSC.

**The hotline to report government waste, fraud and corruption is staffed weekdays from 9:00 AM to 6:00 PM and can be reached at 1-888-OSC-4555 (or 1-888-672-4555).**

The mission of the Division of Investigations is to investigate allegations of fraud, corruption, mismanagement and waste in State agencies and local governments (including school districts). This Division also investigates allegations of fraud and corruption by vendors doing business with State and local authorities.

The Division conducts independent investigations of fraud and corruption allegations, and works closely with District Attorneys throughout the State, the New York State Attorney General, U.S. Attorneys, and other law enforcement agencies in matters of mutual interest.



## Ten Tips to Help Boost Your Credit Score

Your credit score plays an important role in your ability to obtain credit, as well as in the interest rates you pay for credit cards, car loans or mortgages. Many people don't realize their credit score can also influence whether they can rent an apartment, get insurance or even get a job. Scores range from 300 to 850. The higher the score is, the less of a risk you are to a lender. Here are ten tips to increase your credit score and potentially lower your debt costs.

**1) Get a free copy of your credit report.** AnnualCreditReport.com is the only place to get a free copy of your credit report, which provides your credit history, from the three major credit reporting bureaus. Each is required to give you a copy of your credit report annually. To find out what your credit score is, you can buy a copy from one or more of the credit bureaus. There are Web sites that will provide free credit scores, but watch out for special offers with associated costs.

**2) Review your credit report and correct any errors.** Make sure there aren't late payments, writeoffs, or other negative information that is not yours. If there are errors, contact the three credit bureaus and file a dispute to correct them. Fixing errors can ensure that your score reflects your creditworthiness. This is also a good way to check if you have been a victim of identity theft.

**3) Make payments on time.** Paying your bills on time has a large impact on your score and counts for over 30% of your score. The longer your history of using credit and paying bills on time, the higher your score will be. The later your payments, the lower your score. Closing an account with a late payment history will not help your score, because it will continue to show on your credit report.

**4) Pay down your credit cards.** Paying down your credit cards has a bigger impact on your score than paying off installment loans, such as mortgage, auto or student loans. Your score will be increased by continued demonstration that you can use credit responsibly.

**5) Use your credit cards lightly.** Limit the use of each of your credit cards to 30% of the card's credit limit. Too many maxed out cards could lower your score.

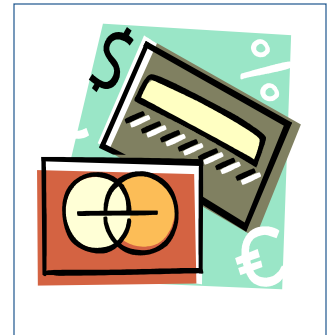
**6) Do not apply for new credit too frequently.** Whenever you apply for a new credit card, the creditor pulls a copy of your credit report. Too many inquiries in a short period of time may signal that you are in need of money.

**7) Negotiate for a lower interest rate.** Paying less in interest each month means having more money available to pay down the balance owed.

**8) Deal with collection agencies.** Paying collection agencies for overdue debt will not improve your score unless it lowers your total outstanding debt. Negotiate with collection agencies to have them mark the account "paid as agreed" or to have the negative mark removed from your credit report. Get agreements in writing.

**9) Do not close old accounts even if you do not use them.** Cancelling lines of credit hurts your credit utilization ratio (which is your amount of debt relative to your available credit). A high utilization ratio could lower your score. Also, older accounts demonstrate stability and a track record of on time payments.

**10) Do not ruin a good thing.** Once you have good credit, keep it that way. Continue to pay your bills on time and limit your exposure to debt.



### What Your Credit Score Means

**720 - 850:** Creditors actively seek you out and the best interest rates on loans are available.

**700 - 719:** Credit approval is easy and highly competitive interest rates are offered.

**675 - 699:** Credit is very accessible but interest rates may be somewhat higher.

**620 - 674:** Not as easy to qualify for credit and interest rates may be a point or two higher than the best available rates.

**560 - 619:** Harder to qualify for credit and interest rates may be several points higher than the most competitive rates.

**500 - 559:** Difficult to qualify for credit and interest rates may be more than double the best available rates.

## Identity Theft Prevention

Identity theft is a serious crime that can damage your credit report and cost you significant time and money fixing the damage. The best way to avoid the consequences of identity theft is to take steps to prevent it.

The Federal Trade Commission (FTC) provides a wealth of information on identity theft avoidance, detection, and what to do if you become a victim of identity theft. See the Resource Guide for a link to available resources. The following tips to avoid identity theft are adapted from FTC guidelines:

**Avoid “dumpster divers.”** Be sure to shred financial documents such as bills, checks, taxes, and other paperwork containing personal information before throwing them out.

**Protect your Social Security number.** Do not carry your Social Security card or write your Social Security number on checks or other documents. Avoid giving it out unless you know exactly who you are giving it to and why. Request the use of a different form of identification, if possible.

## Resource Guide

You can learn more about the topics discussed in this newsletter from the following Web sites:

### Retirement Loans:

What are the rules for borrowing from IRAs and 401k accounts?

[www.irs.gov/retirement/article/0,,id=162415,00.html](http://www.irs.gov/retirement/article/0,,id=162415,00.html)

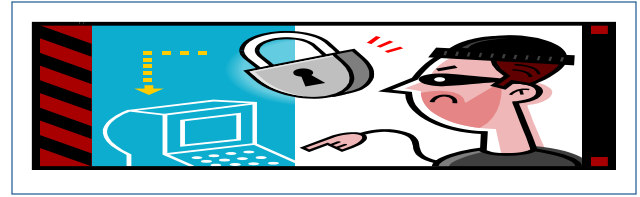
Where can New York State employees get information on retirement system loans?

[www.osc.state.ny.us/retire/members/loans.htm](http://www.osc.state.ny.us/retire/members/loans.htm)

### College Savings Program:

How do I connect with New York’s 529 program?

[www.osc.state.ny.us/college/index.htm](http://www.osc.state.ny.us/college/index.htm)



**Watch out for “phishing” or “pretexting” tactics.** Operators of these ploys get your information by pretending to be a legitimate company claiming to have a problem with your account. Don't give out personal information on the phone, through the mail, or over the Internet unless you know who you are dealing with.

**Be safe in cyberspace.** Never click on links in unsolicited emails. Instead, type in web addresses you know. Use firewalls, anti-spyware, and anti-virus software to protect your home computer. Be sure to keep them updated.

**Be safe at home.** Keep your personal information in a secure place at home. If you have roommates, employ outside help such as cleaners or gardeners, or are having work done in your house, make sure your paperwork is not accessible.

### OSC’s Division of Investigations:

How do I file a complaint?

[www.osc.state.ny.us/investigations/index.htm](http://www.osc.state.ny.us/investigations/index.htm)

### Credit Score Information:

How can I get my free annual credit report?

[www.annualcreditreport.com/cra/index.jsp](http://www.annualcreditreport.com/cra/index.jsp)

Where can I go for additional information?

[www.mymoney.gov/credit.shtml](http://www.mymoney.gov/credit.shtml)

### Identity Theft:

How can I learn more about fighting identity theft?

[www.ftc.gov/bcp/edu/microsites/idtheft//](http://www.ftc.gov/bcp/edu/microsites/idtheft//)

**If you have any comments or suggestions for future topics to be addressed in this newsletter, we want to hear from you!**

**Comptroller Thomas P. DiNapoli**

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