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THE HOME ECONOMIST: Honing traits that lead to success

Patience is not only a virtue, it can translate to better credit scores and money-saving practices.

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Ellena Day's poor credit score was getting in her way, most recently blocking a home rental for herself and her two young daughters. Her big problem was a credit card she intended to use only for emergencies but wound up taking for a test drive at — among other places — Toys-R-Us.

"My 13-year old said, 'Mommy we're rich now,'" says Day, of her detrimental shopping spree. "It made me feel good because I was putting a smile on her face. If I would have had willpower, I would never have done it."

Science would back her up, with new research saying that inner strength, willpower and patience might be the key to success in all areas in life — most notably the bill-paying choices that directly affect our credit scores. Here in Miami, it seems, we're an impatient bunch, with a risk of defaulting to creditors that's jumped some 32 percent since 2007, a time when the nation's risk rose just 10 percent, according to the credit-rating agency, TransUnion Corp.

A likelihood of skipping bill payments is guaranteed to cost us money. Once it's captured on our credit scores, we'll pay higher prices for mortgage loans and lose employment opportunities (prospective bosses check these scores, you know.) So rather than vowing to improve our credit ratings by making tired resolutions of spending less and saving more, new research suggests we look past our pocketbooks and instead work to improve our patience.

"The more impatient you are, the more likely you are to have a bad credit score," says Stephan Meier, associate professor at Columbia University's business school. "Obviously, there are a lot of factors that make you default on payments — you lose a job, you have an emergency — but patience plays a big role."

Meier proved this by pulling some 400 people out of a tax preparation office waiting room, and then offering them a choice about whether to accept small amounts of cash at the moment or larger sums in one month. (Ten percent of respondents would have their requests granted, he explained.) Meier found that regardless of income, the people who accepted the smallest sums at the time, even though waiting would have more than doubled their payouts — for example \$20 on-the-spot as opposed to \$50 in 30 days — had the lowest credit scores.

"There are huge differences in people and how they view consequences," Meier says.

The decision of whether to pay your bills or pay the penalties of default is a bit like shopping, Meier says. But rather than obtain, say, the new sneakers today and less wealth tomorrow, defaulting on a bill gives you more money for the moment and a lower credit rating in the future. It's the desire for immediate



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gratification, says Meier, that's staining credit reports.

"Part of the decision to default," Meier says, "has to do with willpower."

It's true, says John Tierney, a science columnist at The New York Times and the coauthor of *Willpower: Rediscovering the Greatest Human Strength*.

Willpower, in addition to being the self-control that helps you resist eating chocolate, is the resource from where you pull all your decision-making energy, including the kind necessary for bill-paying.

"People with stronger willpower do better at school and work," says Tierney. "They're healthier, wealthier and happier."

Willpower is like a muscle in that it gets fatigued but can be built up with regular exercise, Tierney says. What's more, working on your willpower in any one area spills over to boost restraint in other disciplines. Tierney recommends habitually practicing small bouts of inner-strength, for example, sitting up straight or speaking in complete sentences.

"Anything that requires self-control will help you build up those muscles," he says.

Willpower, however, is a finite resource that gets depleted — if one day we make many decisions or resist lots of temptations, we'll run out, Tierney says. We should, in turn, structure our finances so we're not constantly pulling from this pool, he says. Automate bill-paying and create budgets that don't require daily judgments about spending or saving. Avoid the temptations of shopping and decide to pay only cash — never with credit cards.

"People who have the most self-control use their willpower less often," Tierney says. "They structure their lives in ways that don't require too many decisions."

While you're creating rules, be sure to incorporate those that keep your credit report clean, says Clifton O'Neal, a spokesperson for TransUnion. Pay your bills on time, even you're making minimum payments, and don't use more than 30 percent of your available credit. Maintain a healthy mix of loans; say, mortgage, car, credit cards and store branded cards. And always apply for new credit cards in moderation.

"Show that you can manage different types of accounts," he says. "But applying for, say, five credit cards in a 30-day period looks desperate."

That's exactly how credit-poor Day — who lost that recent rental opportunity — feels today. She's spent nights crying over bad credit, and her days working as a housekeeping supervisor to rebuild her score. "I want to get a house for my girls," Day says. "And then I want to give back to the community."

*This is a monthly column by Miamian **Brett Graff**, a former U.S. government economist who writes about how economic forces are affecting real people.*