THE ORANGE COUNTY Register
Date: Wednesday, March 11, 2009
Location: SANTA ANA, CA
Circulation (DMA): 278,507 (2)
Type (Frequency): Newspaper (D)
Page: 1,2
Keyword: Jeff Isaac

Three steps to financial security

How's your FICO? You know, your credit score?

Most of us call the credit score FICO – whether the report is prepared by Fair Isaac Corp., which originated the concept in 1958 (hence, FICO) or Experian or some other credit company.

JANE GLENN HAAS
REGISTER COLUMNIST

It's a little bit like calling all facial tissue "Kleenex."

Anyway, a credit score represents the creditworthiness of a person. In other words, how likely it is that the person will pay his or her debts.

Based on a statistical analysis of an individual's credit report information, lenders determine who qualifies for a loan, at what interest rate and to what credit limits.

So what's that got to do with your health?

Plenty, says Jeff Isaacs, the San Diego attorney known as "the lawyer in blue jeans."

Preserving your FICO can save your financial life, reduce stress, ease the fear of foreclosure and heart palpitations.

"You should look at your FICO score the same as a retirement or savings account," Isaacs says. "It's worth thousands of dollars to you in lower interest rates.

"And banks want to see a higher FICO score today than in the past. Banks are very, very conservative. They want a minimum score of 720 or 730 today."

Q. You consider the FICO score as basic for building a healthy financial future?

A. Absolutely. It's a projection of your risk. And often the folks who add up that score try to keep their sys-

Account: 26107 (590)
CA-638

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tem a secret.

It's a combination of when your bills are paid (30 percent) and how well you keep your debt down (30 percent) and other factors like how long you have had credit, the diversity of your cards and so on.

Q. You equate a solid FICO score with family solvency. What else do we need to do to preserve family finances?

A. Asset protection. You need to know why and how homesteading your house can save your estate. And why LLC incorporation is smart for small business and rental property owners.

Homesteading protects you against third-party creditors. Everybody needs to do it to have maximum protection for your home.

And if you're a business owner, incorporate. That's worth trillions in insurance – insurance against being sued as an individual, for example.

Q. You said there are three steps to preserving family finance?

A. Finally, have a revocable living trust if you own property in California. Going to probate can eat you up. Avoid it all with a living trust.

Be proactive, not reactive. Make sure your ducks are in a row.

Eighty percent of the people do not do this. Most people don't think they are going to die, or at least they don't want to think about dying. They spend more time planning a vacation for the family than making sure the family is taken care of if something happens to them.

Be responsible. Pay your bills on time and keep your FICO high. Homestead your house and incorporate your business. Make sure you have a revocable living trust.

Q. Then I'm ready to die in peace.

A. You've done all you can do.