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Good credit can be key in our golden years

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Q: I am in my early 70's and rarely use credit cards. I have a nice amount of savings for retirement and my Westchester home is fully paid for. I was thinking about closing three of the four credit cards I have since I really don't feel like I need them. Is this a good idea?

A: There are many factors that are affecting your credit causing your scores to linger at a low level:

1. First Congratulations on your success! This is a very good question and from many angles I think it is an excellent idea to leave these accounts open. Life is a very unpredictable process and we never know at any age what can happen just around the corner. We are also living much longer these days.

So why leave credit card accounts open?

1. If and when you need these credit cards, once they are closed you will have to apply for them all over again and there is no guarantee you will be approved.

2. Old credit is excellent for credit scores. Once you close these accounts they can be removed two years from inactivity.

3. If you do chose to open a new account in the future it will reduce your average age of credit therefore reducing your credit scores as well.

4. Closing credit cards will reduce your balance to limit ratios on your revolving credit which will give you less ability to charge without hurting your credit scores.

5. Closing credit will take away from your open active variety of credit and can reduce your credit scores.

6. Limiting your options only diminishes your choices and chances of protecting yourself in the future

For example:

An elderly couple who had four daughters, all independent and at varied states of success in their lives, wanted to close their credit cards. They came to me for advice and I explained the downside of closing their accounts. They decided to keep the accounts and followed my advice of using this credit every 4-6 months.

A year later their youngest daughter became very ill. She was a small business owner and due to her disability could no longer pay her mortgage. The couple was able to get a zero percent balance transfer offer for $25,000 with a term of 14 months. They were able to use the card to pay their daughters mortgage for that period.

This allowed them to help their daughter without using their own retirement income while giving her the opportunity to recover. Their daughter felt more at ease knowing her parents were not using their savings to fund her recovery. Neither of the parties involved could have ever foreseen this problem but they were all grateful for gaining insight prior to closing the accounts used to support their daughter's recovery.

The couple would never have qualified for the $25,000 credit card limit if they had closed the 25 year old Visa card used to help their daughter. At the time they opened the account they were at the peak of income earning and over a period of time the limit was increased substantially. By keeping the account open and active this limit remained available to them when they most needed it.

To make sure accounts stay open consumers should charge something small and pay it off over a 3-4 month period so the creditor could make some profit while the card is kept active. Keeping cards active and allowing the creditor to make a profit, even if small, gives the cardholder the ability to keep accounts open and have a better chance of getting lower interest rate balance transfer offers. If a creditor never makes any profit on a cardholder they are less likely to offer lowered interest rates and better transfer offers.