



Managing Your Money

STAN'S WORLD — STRONG CREDIT

If you have certain credit cards, you may occasionally receive credit alerts that tell you your credit score went up or down a few points. I get them regularly from my Capital One card, and I typically disregard them. In fact, if you're also a senior, perhaps with no mortgage or car payments, and no interest in more credit cards, does your credit score even matter? Despite my flippant attitude toward my credit score alerts, credit scores for seniors do matter.

Most of us know about the benefits of having a good credit score when you're young and looking to use credit. A good credit score gives you access to a wide range of credit cards. It also signals to banks that you're a low risk for a mortgage to buy a house, to lease or buy a car, or to take out a loan to pay for your children's college.

Less well known, but relevant, is that a good credit score also affects the interest rate you pay for those loans. Someone with a high credit score is viewed as a lower risk and less likely to default on a debt, so they earn a reduced interest rate. In fact, a good credit score makes them a target, which is why they receive so many unsolicited offers for new credit cards.

While a senior may not worry about buying a first house or upgrading to a larger one, they may eventually want to downsize and move to an apartment or condo. If you're renting, a landlord or property manager may check your credit; if you're financing a condo purchase, your lender certainly will.

And what if a grandparent wants to co-sign an education loan for a grandchild (or six)? Once again, a poor credit score will likely result in either a loan denial or a higher interest rate if approved.



STAN'S WORLD — STRONG CREDIT (CONT'D)

And let's not forget about auto and home insurance. Any idea how insurance companies set their rates? In many states, insurers may use credit information or a credit-based insurance score as part of the equation.

What if there's a family emergency and you need to obtain a home equity line of credit to bail a family member out of trouble? Even if your home has no mortgage, banks don't have to give you a home equity line of credit. Your credit score will be one of the factors the bank considers. And let's not minimize how embarrassing it would be if a grandchild asks you to co-sign a loan to buy their first car, rent their first apartment, or borrow money to attend graduate school, and a low credit score prevents it.

If you're a senior with a good credit score, you may wonder how to maintain it when you no longer have a full-time job. Fortunately, credit reporting agencies aren't concerned with current income, so a senior on a fixed income will not necessarily have a lower credit score because his/her income dropped.

Of course, many seniors try to pay off their mortgages, car payments, and credit cards, and those all impact credit scores. Fewer loans and payments:

- **Changes your credit mix:** Credit-scoring models consider a variety of debt (e.g., mortgage, car, credit cards) that is consistently paid in a timely manner.
- **Reduces the number of active loans:** Paying off loans reduces the number of open accounts on your credit report and can change your credit mix, although the positive history of paid-off accounts may remain on your report for years.
- **Can change your credit utilization ratio:** Your credit utilization ratio compares your outstanding credit card balances with your total available credit. Even if you no longer use a credit card, keeping the account open generally preserves its available credit and can help keep your utilization ratio lower. For example, if you have \$10,000 in reported credit card balances and \$100,000 of available credit, your credit utilization is 10%. If you close a credit card with a \$20,000 credit limit, your available credit would fall to \$80,000 and your utilization would increase to 12.5%. That may not be significant, but it could be enough to reduce your credit score. (TIP: If you have an old credit card with an annual fee, call the credit card company and ask them to switch you to a card with no annual fee.)



STAN'S WORLD — STRONG CREDIT (CONT'D)

- **May affect your length of credit history:** While payment history for closed loans or credit cards may remain as part of your credit report for years, keeping an older no-fee credit card open can help preserve available credit and, depending on the scoring model and circumstances, may be beneficial to the overall credit profile. A long, timely payment history strongly contributes to a good credit score.

If you're a senior, a high credit score may no longer be a goal. In the event you may need more debt in the future, keep your credit accounts current and avoid allowing other obligations, such as utility bills, to become delinquent and wind up in collections.

FUN WITH CHARTS!

Stock peaks

Depending on how the stock market is doing on any given day, you may occasionally hear about the Dow or the S&P 500 hitting new market highs. In turn, you may wonder whether a market high means the market is nearing its peak and headed for a downturn.

Simply put, we never know, and those who try to time the market often end up regretting it. If the market moves higher, they wish they held on to their equities for longer. (Of course, if the market does fall and they pat themselves on the back, they are likely to regret not buying stocks when the market was at its bottom.)

Dimensional looked at the month-end closing price for the S&P 500 index over the period 1926-2025, or 100 years of data. Their findings: 31% of monthly market closings were all-time highs. Further, "after those highs, the annualized returns ranged from almost 14% one year later to more than 10% over the next five years." The 10% average is comparable to average market returns over the entire 100-year period.

FUN WITH CHARTS! (CONT'D)

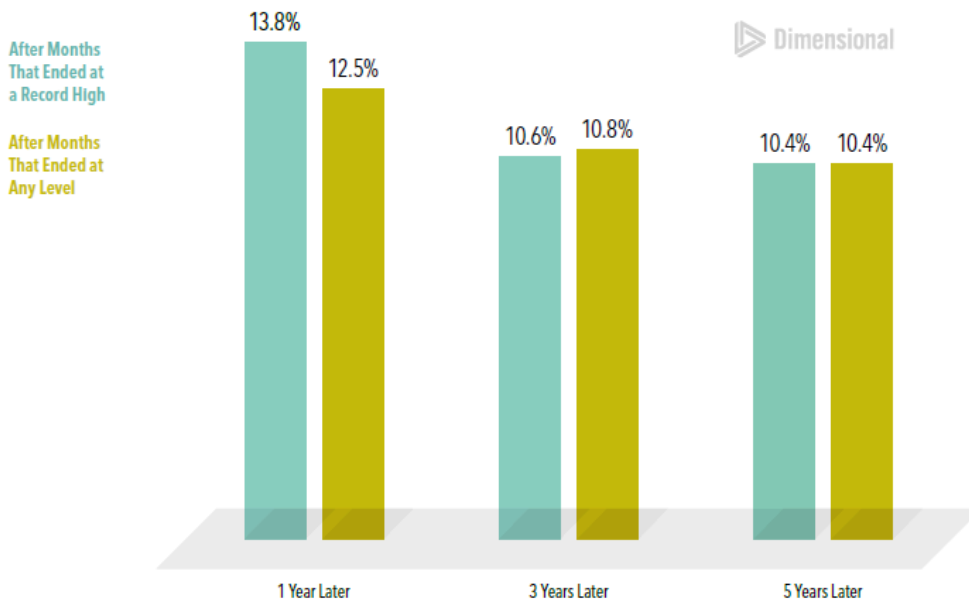
If you're an investor who's concerned about markets reaching highs that will be followed by lows, take solace in knowing "Stocks are priced to deliver a positive expected return for investors, so reaching record highs regularly is the outcome one would expect." (As an aside, don't be concerned about your portfolio getting too 'stock heavy,' because that's the purpose of rebalancing.)

DIMENSIONAL QUICK TAKE



Why a Stock Peak Isn't a Cliff

S&P 500 INDEX, AVERAGE ANNUALIZED COMPOUND RETURNS
1926-2025



Many investors may think a market high is a signal stocks are overvalued. However, they may be surprised to find that the average returns one, three, and five years after a new month-end market high are similar to those after months that ended at any level.

- In looking at all monthly closing levels between 1926 and 2025 for the S&P 500 Index, 31% of them were new highs.
- After those highs, the annualized returns ranged from almost 14% one year later to more than 10% over the next five years, which were close to average returns over any period of the same length.

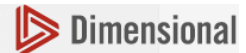
Stocks are priced to deliver a positive expected return for investors, so reaching record highs regularly is the outcome one would expect.

FUN WITH CHARTS! (CONT'D)

Since most of us follow domestic news more than foreign news, it's not unusual to think it's best to focus on buying American stocks. But when it comes to the equities markets, buying American means omitting a significant number of stocks that can enhance a portfolio. In fact, it's not that unusual for international and emerging markets to have annual returns that beat the S&P 500.

As Dimensional notes, "Stocks of the roughly 19,500 companies trading outside the US represent 38% of the world's \$113 trillion equity markets." (See chart below for specific country information.) And as we all know, diversification is a big part of investing, because concentrated risk (e.g., focusing on one stock, or one sector, or one country) can have significant repercussions. Yes, you could have made a fortune by putting all your money into Berkshire Hathaway many years ago, but you would have had the exact opposite outcome if you had focused instead on Enron. knowing "Stocks are priced to deliver a positive expected return for investors, so reaching record highs regularly is the outcome one would expect." (As an aside, don't be concerned about your portfolio getting too 'stock heavy,' because that's the purpose of rebalancing.)

DIMENSIONAL QUICK TAKE



Global Diversification Can Make a World of Difference

PERCENT OF WORLD EQUITY MARKET CAPITALIZATION
As of December 31, 2025



United States

- 3,442 companies
- \$70 trillion
- 62% of world market cap

Developed ex US

- 6,649 companies
- \$28 trillion
- 25% of world market cap

Emerging

- 11,227 companies
- \$14 trillion
- 12% of world market cap

Other

- 1,578 companies
- \$572 billion
- 0.5% of world market cap

The US stock market is the biggest in the world, but investors who ignore other global markets may miss out on a wealth of opportunity.

- Stocks of the roughly 19,500 companies trading outside the US represent 38% of the world's \$113 trillion equity market.
- When determining where to invest, a country's size may not be a primary consideration. Japan, for instance, is relatively small but accounts for 5% of the world's equity market value.
- Global diversification captures returns from companies around the world and can potentially offset a weak market with stronger returns elsewhere.

Investing globally can deliver more reliable outcomes over time.



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Managing Your Money is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

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S.F. Ehrlich Associates, Inc.

15 Alden Street, Suite 12

Cranford, NJ 07016

Fax: (908) 789-1115

John Zeltmann, CFP®, CFA

Phone: (908) 789-1944

jzeltmann@sfehrlich.com

Stanley F. Ehrlich

Phone: (908) 789-1100

stan@sfehrlich.com



1 Dimensional Quick-Takes, "Why a stock peak isn't a cliff," 2026.

2 Dimensional Quick-Takes, "Global diversification can make a world of difference," 2026.



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