

5 Rules in Achieving a Perfect Credit Score

If you consistently follow all of these rules, you can improve your score and become one of elite few who have perfect credit:

1. Pay your bills on time. In order to qualify for the perfect score, you need to have seven years of on-time bill paying for each and every one of your accounts. That long history of on-time payments accounts for 35% of your points in your credit score, so being on top of this facet of your finances will help immensely. If you have trouble with regular bill payments, set them up to be paid automatically.

2. Only use a portion of your credit limit. In order to have good credit, you need to use credit. But credit cards can be difficult to keep under control if you don't pay them off every month, so you need to be very careful with your credit. If you pay your bill in full each month, you are both protecting yourself from interest and showing that you are an excellent credit risk. In addition, just because you have a high credit limit does not mean you should use it. The rule of thumb is to never use more than 50% of your available credit and don't use all your credit on one item... spread it out.

3. Take the long view. One of the basic tenets of credit is stability. If you have kept your same credit card and loan accounts open, active and paid for over a decade, that will positively affect your score. Constantly opening and closing new accounts is not a good sign for your credit-worthiness.

4. Variety is the spice of life. In addition to stability, you will want to make sure you have multiple forms of credit in your name. Having a credit card, a student loan, a home loan and a car loan that are all open, active and being paid off will show that you are a responsible borrower. However, if you only have two types of credit, there is no need to open other accounts to improve your score, as it can sometimes backfire.

5. No new credit. Every credit inquiry made when you apply for a loan or credit card will negatively affect your credit score for up to six months. So if you are actively trying to improve your score, don't apply for a new credit card or loan while you're working on your score.

When trying to improve your score, you'll find that most of the decisions that will be healthiest for your personal finances are also the ones that will improve your credit the most. These good choices will take time to reflect on your credit score, but they will help your bottom line as soon as you implement them.