

# **My Proven Pathway to Financial Wellness**

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In 2011, I got married to a woman that had a 9-year old daughter, and I already had 3 children of my own. We were discussing moving out of an apartment buying our first home. Well, reality kicked in when I pulled my credit report and realized I was sitting at a credit score just below 600. If you have ever applied for a home mortgage, you know that a 600 credit score is very unlikely to get you approved for the funding needed to purchase a home, and if you are approved, you will pay the highest interest rate offered for that type of loan.

I was devastated. Not only was I embarrassed to find this out in front of my wife, but I also was not quite sure what to do to improve my credit; besides paying everything off. There had to be a smarter way to attack the debts that were pulling my credit score down. I went on a mission to read & research as many ways as I could find to improve my credit score. After a month or so, I put together a very specific game-plan to address my debts and low credit score. I set a goal to increase the score to at least 650 by 12/31/2011. I figured that would be strong enough to, at least, get me approved for a home mortgage and get a better interest rate (not the best rate, but better than what a 600-credit score interest rate). Additionally, I knew I would need to find some extra cash to help tackle these debts.

## **Here are the 5 Steps I took to Improve My Credit & Financial Wellness**

### **1) Confront My Debts**

- a) I pulled all 3 of my credit reports (Equifax, Experian & Trans Union) through [www.creditkarma.com](http://www.creditkarma.com). Using this service meant that I would not have a 'hard inquiry' against my credit score, which would also have a negative impact on my score. One could also visit, [www.annualcreditreport.com](http://www.annualcreditreport.com) to order ONE Free copy of the credit report every 12-months from each credit reporting agency
- b) Find out the exact number of my 'Total Debt'. This one was more challenging. The credit reports showed all my past due balances for items being reported against my credit score; however, I had other debts that were not being reported (things like personal loans). Once I added up all of the 'Total Debt', I wrote it down on a piece of paper along with a date that I wanted to have them, either paid off or brought current.

### **2) Made a Budget based on the prior 3-months spending**

- a) I found a website to help me identify all of the spending I was doing (through all of my bank accounts); I used [www.Mint.com](http://www.Mint.com) and loaded all of my bank account information into the site. It is extremely secure. This summarized all of the spending I had done through those bank accounts and I filtered it to the last 3 months so I can get a true gauge on where my

most recent dollars were going. What a revelation! **My wife and I quickly discovered that, as a household, we were spending more money on food and eating out than we were on our rent. OMG!**

- b) Once I picked myself up off of the floor, we started creating a monthly budget. This allowed us to enter the exact amount that we planned to pay for each and every bill (utilities, gas, rent, school related items, kids' activities, food, etc.).

### **3) What Can Be CUT Out of the Budget**

- a) Using [www.Mint.com](http://www.Mint.com) helped me to figure out where the 'unnecessary spending' was happening. So, now the plan was to eliminate those items; things like gym memberships, monthly magazine subscriptions, changed our cell phone plans and cable/internet plans.
- b) The other step I took at this point was to thoroughly go through my closets, rooms, and storage areas to locate items that I could sell to generate some extra cash. Many of these things were items that I had not used in months. This generated enough cash to pay off 2 small loans immediately. Today, there are places like Facebook Marketplace, Letgo, Craigslist and many other sites to post items for free and sell them within your local community.

### **4) What Could I Do to Increase My Income/Earnings Quickly**

- a) Now it was time to seriously analyze my income and career, to determine if there was anything within my control to increase my earnings. This is when I began 'modeling' the coworkers that were in higher positions. I wanted to present myself in a way that would get me recognized by my superiors, so that I would be considered for higher paying positions in the office. The 'higher earners' were wearing blazers and ties, working longer hours and always meeting people. This motivated me to go to the Goodwill Store and buy some used blazers, slacks, collared shirts and ties. I took them to the cleaners for a thorough cleaning and pressing and started dressing more like an executive each day. Also, I began attending seminars on anything I felt would help me advance (courses on time-management, emotional intelligence, managing people, presenting in meetings and so many other things), in addition to accepting projects that were beyond my current role.
- b) I explored legal 'side-hustles' to help me generate some extra funds each month as well. For a while, I helped people prepare resumes. Some people drive for ride-sharing services, or rent out rooms through AirBnB, or search for dozens of legal 'side-hustles' through [www.Pinterest.com](http://www.Pinterest.com)

### **5) Started Paying More than the MINIMUM Monthly Payment on my Credit Card accounts**

- a) Credit Reporting Agencies like Equifax, Experian and Trans Union are always reviewing something called, **CREDIT CARD UTILIZATION. This is the ratio of your outstanding credit card balances to your credit card limits.** It measures the amount of credit limit you are using. For example, if your balance is \$300 and your credit limit is \$1,000, then your credit utilization for that credit card is 30 percent. Many people only pay the minimum amount due on their credit card accounts, which is usually only a portion of the interest that is being paid. It is important to pay off the actual 'PRINCIPAL' outstanding on credit card accounts so

- your credit score is scored higher. Keeping it under 30% of the credit limit is good, but keeping it under 10% of the credit limit is BEST.
- b) I stopped using my credit card for unnecessary spending. Instead of using it to buy clothes, food and entertainment, I started using cash for those things and I used the credit cards for emergencies (car repairs, new tires, sudden plumbing issues, etc.). This helped me reduce the credit card balance each month, which meant I was paying less towards the credit cards each month.

Within a year of me taking these actions, my credit score increased to about 675 (75-point increase from when I started in early 2011). Over the years we have continued to exercise smart decisions as it relates to our credit, and since 2015, we have both maintained our credit scores to be consistently over 750.

There are several things that can be done to improve your financial wellness; however, the most important step is to, TAKE ACTION!!! Most of us know what needs to happen for our finances to improve but the challenge is in performing the DAILY HABITS that it takes to keep our finances where we want them to be. These tips will help you stay on track!

For more on my story, or to learn ways to improve your financial wellness, please visit [www.victoryjohnson.com](http://www.victoryjohnson.com) for a copy of my book, Proven Pathways To Wealth & Happiness. Also, available on Amazon and Barnes & Noble.