



## The Smart Use of Credit

If you've ever applied for a credit card, a personal loan, or insurance, there's a file about you. This file is known as your credit report. It's chock-full of information on where you live, how you pay your bills, if you've been sued, and whether you've ever filed for bankruptcy. Consumer reporting agencies gather information about you from those companies with which you do business, and then other organizations use that information to evaluate your applications for credit, insurance, employment, or a lease.

Having too much credit card debt can leave negative marks on your credit report and drive down your credit score. A history of past due payments, or payments not made, will also decrease your credit score. A low credit score, could keep you from getting a loan or apartment, and may cause you to pay an increased deposit on utilities. It may even cost you a future job.

A good credit report means it will be easier for you to get loans and you'll likely receive lower interest rates on loans. Lower interest rates usually translate into smaller monthly payments. A good credit report might also mean that you'll pay less of a deposit for services, such as a cell phone or utilities.

A major factor in establishing good credit is using tools, such as a credit card, sensibly. If you follow the simple guidelines below, you will likely avoid the pitfalls of credit card debt, and at the same time, create good credit which will afford you many additional benefits.

- Make wise decisions about purchasing items you **need** versus those you simply **want**. We've all used the word "need" to describe something we just wanted really badly. Using your credit card responsibly means recognizing which things you need, and which things you just want.
- **Know your financial means and limits and don't go beyond them.** Only charge items you know you can afford to pay off each month. You may be tempted to use a credit card when you don't have the cash, but that's the quickest way to build a balance you can't repay.

- **Stay within 30% of your credit limit.** A large part of your credit score considers the amount of debt you have. Keeping your balances low helps you maintain a good credit score. Not only that, but lower balances are easier to manage than those that are higher.
- **Pay your balance in full every month.** If you get in the habit of paying off your balance when you get the bill, you'll avoid carrying credit card debt.
  - **If you already carry a balance on your credit card,** pay more than the minimum payment so that you can lower your principle balance.
  - **If you are making payments on several credit cards,** consider consolidating them all into a single card with a low Annual Percentage Rate (APR).
- **Shop around before accepting any credit card offer.** Compare Annual Percentage Rates (APRs), and the various fees associated with each card. Be sure to read the fine print and disclosures when comparing card offers.
- **Carry only one or two major credit cards.** The more credit cards you carry, the higher the risk you'll have of taking on too much credit card debt.
- **Don't share your credit card.** If you let someone else use your credit card, you're responsible for paying the charges. After all, it was your signature on the credit card application, not anyone else's.

Having a good credit history is important, especially when you're just starting out. Whether you have that good credit history depends on how you use (and don't use) credit cards, so please, use them responsibly!

For more assistance on the smart use of credit and to learn more healthy spending habits, please contact us at 800/522-6611.