

## HOW TO BUILD CREDIT

In this modern age, credit is a big deal. It's fine to think to yourself that you don't want credit because you don't want debt. But not having good credit affects a lot of other things. It will affect your ability to rent, your insurance rates, all sorts of things. Credit is used as a scale of how reliable you are as an individual. It can even affect your chances of getting a job.

## FLIP OVER FOR YOUR NEXT CHALLENGE



### EARN THIS NUGGET

- Research local banks and find out if any offer a prepaid credit card that reports to all three credit groups, and if so, what the minimum prepaid cost is.
- Think about your options and discuss a plan with your parents to build your credit.

LEVEL 1

8-10

So, we are going to look at some simple steps that can up your credit rating and put you in a better situation whether you ever have debt or not.

1. Go to your local bank and get yourself a prepaid credit card. This card will only function for the amount you put on it. But it needs to be from a bank that will report to all three of the credit groups. Most prepaid cards will only report to one of the credit groups. The problem with that is the usual process of assessing credit is by dismissing the highest and lowest score and going with the middle. If it's not reported to all three in a meaningful way, you'll still essentially have no credit.

2. Don't spend all the money on the card, that would make you look like a credit risk. Instead, don't spend more than 10% of the total, before paying back and topping the card back up.

3. Leave a small balance on there all the time. So, if on a \$500 credit card, don't spend more than \$50, and don't do all of that with one purchase. But when you pay it back (back up to the \$500) only pay it up to around \$490. This shows reporting agencies that you know how to carry debt also.

This will cover the reporting on what is called revolving credit. You will also be judged on installment credit. This is the installment payments on a car loan or something of that kind. Another thing you can do that will also create a huge boost is to co-sign on an installment loan. This will report on your behalf. But it does have down sides and risk that the credit card does not. If, for whatever reason, the installment loan does not get paid, and that would not be any fault of yours, Cragman, it will hit your credit negatively.

