ONE PAGE SUMMARY

Lifestyle & Hobbies › Financial Lifestyle › Credit Basics

Beginner lessons for Credit Basics

Master Your Credit: The Key to Financial Freedom

DEFINITION

> Credit is the ability to borrow money with the promise to pay it back later. Understanding credit basics helps you manage debt and build a strong financial future.

KEY CONCEPTS

Credit Score

A numerical representation of your creditworthiness, ranging from 300 to 850.

Credit Report

A detailed account of your credit history, including loans, payment history, and inquiries.

Types of Credit

Includes revolving credit (like credit cards) and installment credit (like loans).

Interest Rates

The cost of borrowing money, expressed as a percentage of the loan amount.

Credit Utilization

The ratio of your current credit card balances to your credit limits, ideally below 30%.

EXAMPLES

→ Paying your credit card bill on time boosts your credit score.

→ Using only 20% of your credit limit improves your credit utilization ratio.

→ Checking your credit report annually helps you spot errors.

MEMORY TIPS

★ Remember 'C' in credit for 'Control' over your finances.

★ Think of 'SCORE' as 'Strong Credit Opens Real Estate'.

★ Use the 30% rule: Keep credit utilization below 30%.

COMMON MISTAKES

✗ Missing credit card payments can drastically lower your score.

✗ Applying for too many credit accounts at once can hurt your score.

✗ Ignoring your credit report can lead to unresolved errors.

QUICK RECAP

Credit is essential for financial health, impacting loans and interest rates. Focus on maintaining a good credit score by managing payments and utilization wisely.