

Credit & Budgets

On Your Own Unit



Why Do You Need Credit?

- **You need to establish a good credit history for:**
 - **Loans (car, home, schools etc.)**
 - **Getting an apartment/renting a home**
 - **Insurance companies and utilities**
 - **Other credit cards**



What is a Credit Score?

- **A credit score is a number that represents your credit risk (ranges from 300-900)**
- **Most people have a score from 600-800**
- **People with >720 get better interest rates**



How to Build Credit

- **You need credit to build credit**
 - **Many banks have “college credit cards”**
- **One card is enough**
- **Be responsible with your spending**
- **Stay well under the credit limit**
- **Don't use the “cash advance” option**

How to Build Credit cont.

- Only charge what you can afford to pay
- Pay your balance off in full each month
- PAY ALL YOUR BILLS ON TIME!!!!!!
 - Do NOT miss a payment! Do NOT make a late payment!
- Check your credit card statements
- Protect yourself from fraudulent charges
- Check your credit score

Budgets: General Tips

- **Monitor your spending regularly**
- **Don't spend more than you earn**
- **Take advantage of discounts, sales, etc.**
- **SAVE whatever amount you can**



Budgets

- **Whenever possible, don't charge things to a credit card**
- **Set spending limits for yourself and stick to them**
- **Keep track of spending with online banking or other online resources**
- **Make sure to set aside money for entertainment/recreation and saving**

A Note on Saving...

- **Don't spend your savings. Seriously. Don't.**
- **If you think you'll be tempted to dip into your savings, get a Certificate of Deposit (CD)**



Making Choices

- **If you really want something, save up for it and set aside money each week (or month) for it.**
- **Evaluate needs vs. wants**
- **Bring your lunch to work or school**
- **Avoiding eating fast food or pricey convenience foods**
- **Buy what's on sale. If you're at the grocery store, plan your meals around items on sale.**

Watch the Small Spending

- **Be careful about small purchases**
 - **Ex) If you buy a \$3 coffee every day, you'll spend \$90**
- **Think before you spend**



On Your Own: Budget

- **Start out with how much money you make each month**
 - Use the tax form we did in class
 - Divide the money leftover after federal/state taxes by 12
- **Write each expense you'll make each month**
- **Don't forget to put savings in there!**
- **Subtract each expense from your monthly pay and circle your final balance**