



# Credit & Debt: Why they matter

Sound Credit Union  
December 16, 2020

# What is a credit score?

**A credit score is a number used** by financial institutions and credit card companies **to determine risk level** when issuing you a loan or a credit card.



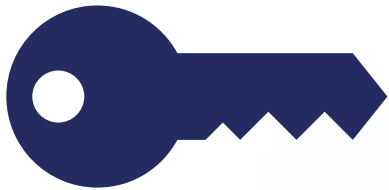
# What is a credit score?

- FICO® score is the most widely used model
- Credit bureaus use their own formulas, so your FICO® can vary



# What do credit scores influence?

- Renting an apartment
- Student loans
- Car payments
- Job applications

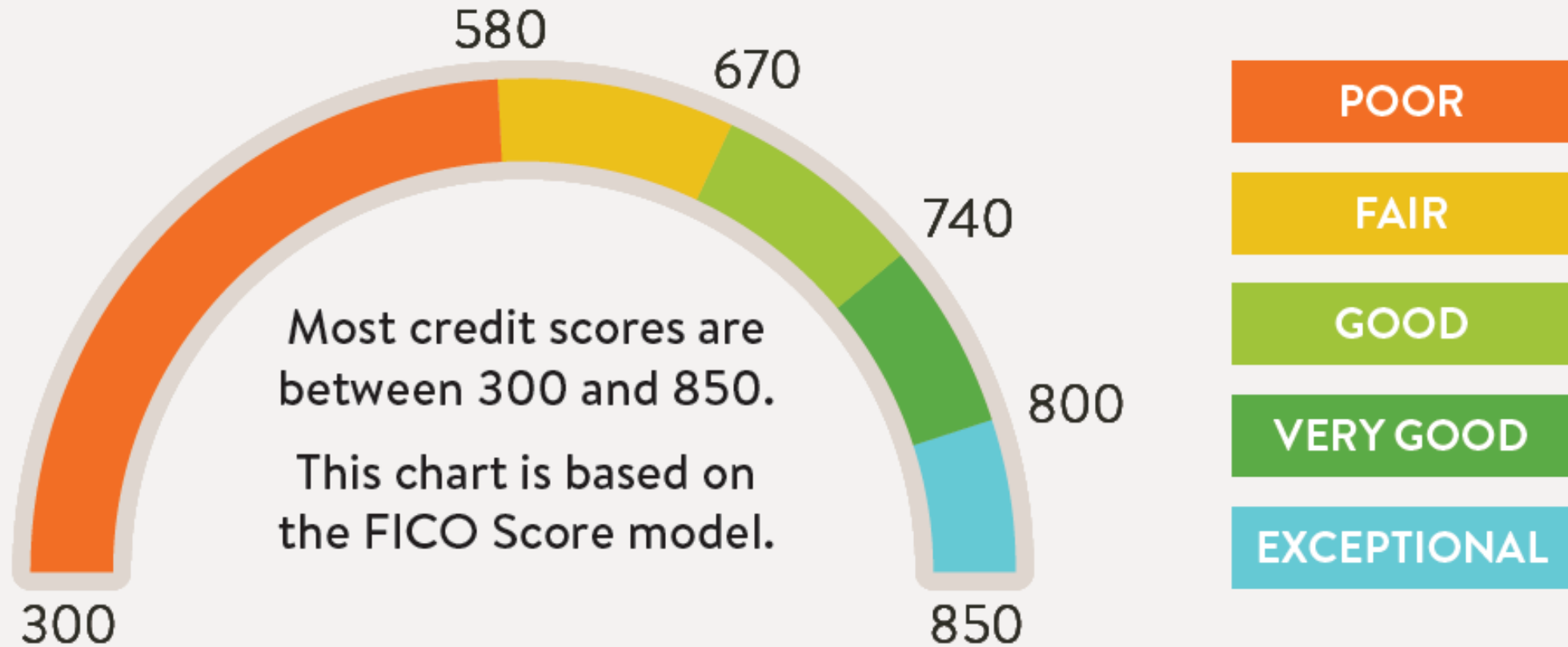


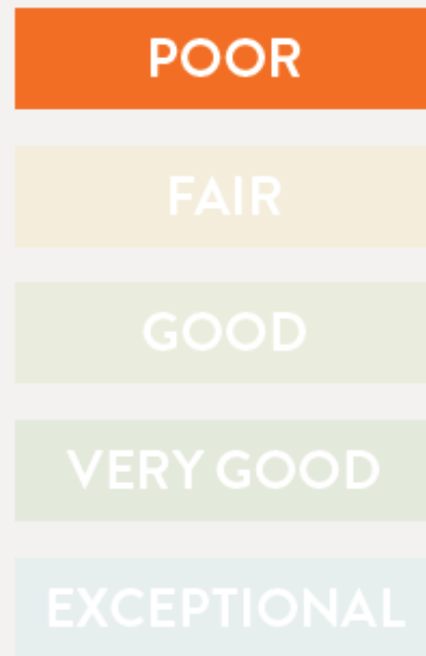
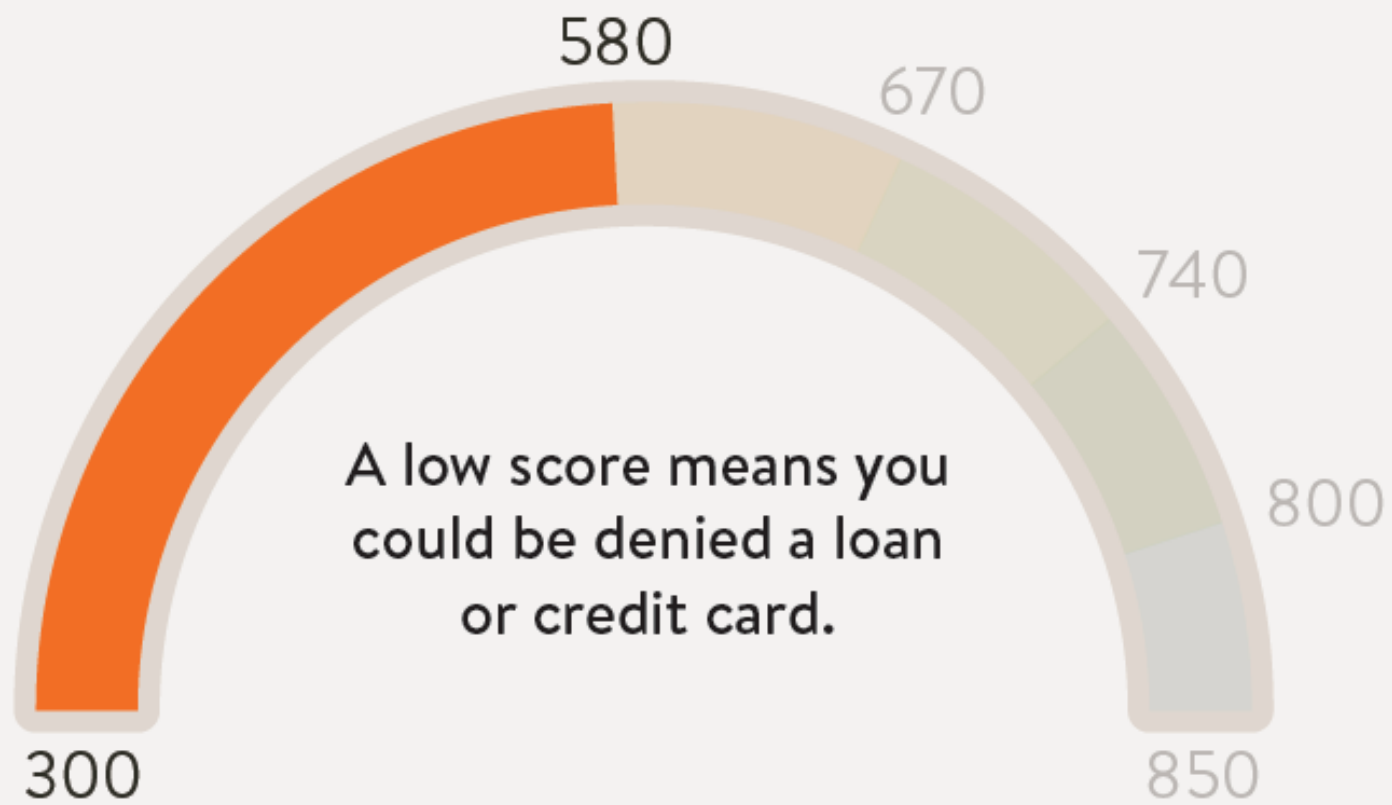
# How do you build credit?

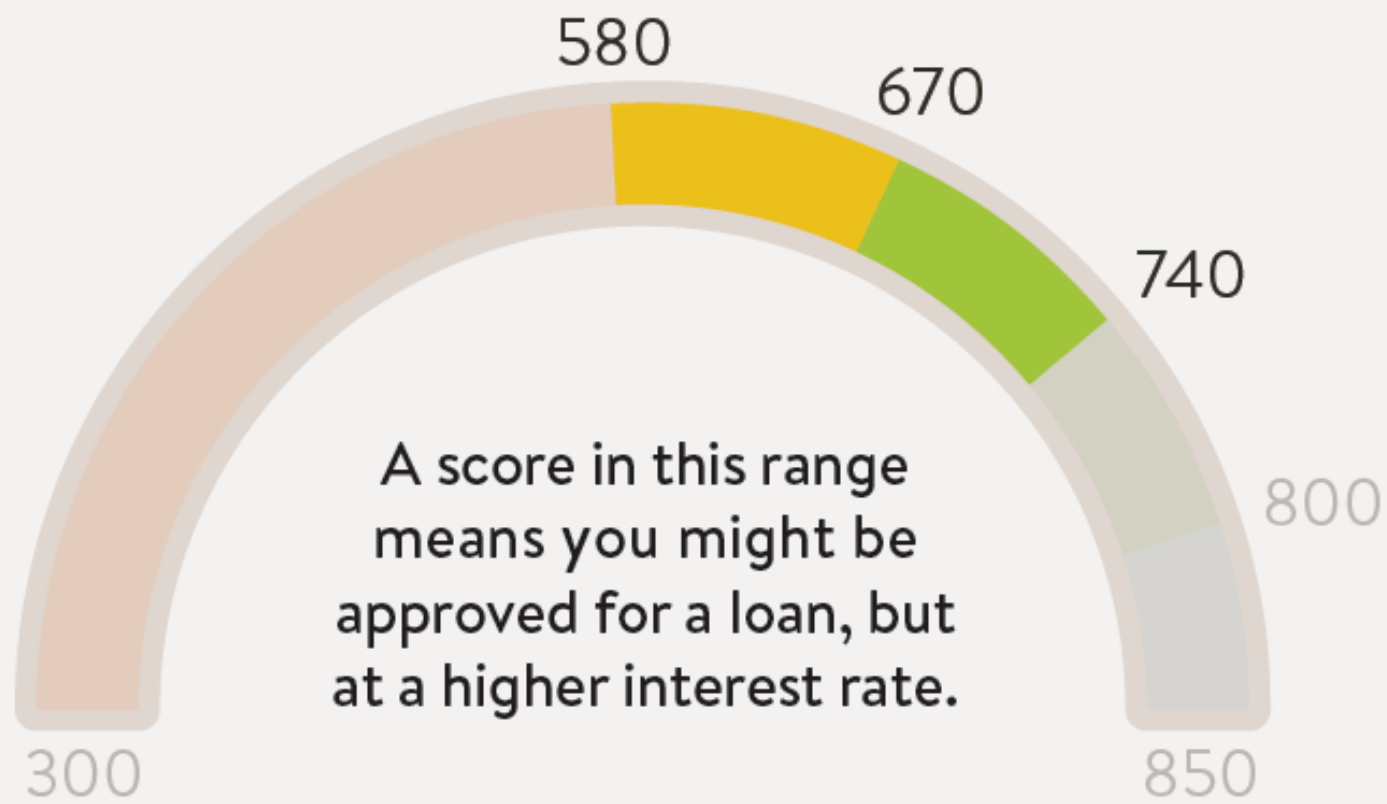
*Don't affect  
your credit score  
but are important*

- Opening a bank account
- Being consistent
- Apply for a secured credit card
- Be an authorized user on another person's card
- Consider a co-signer or co-applicant
- Apply for loans or unsecured credit cards

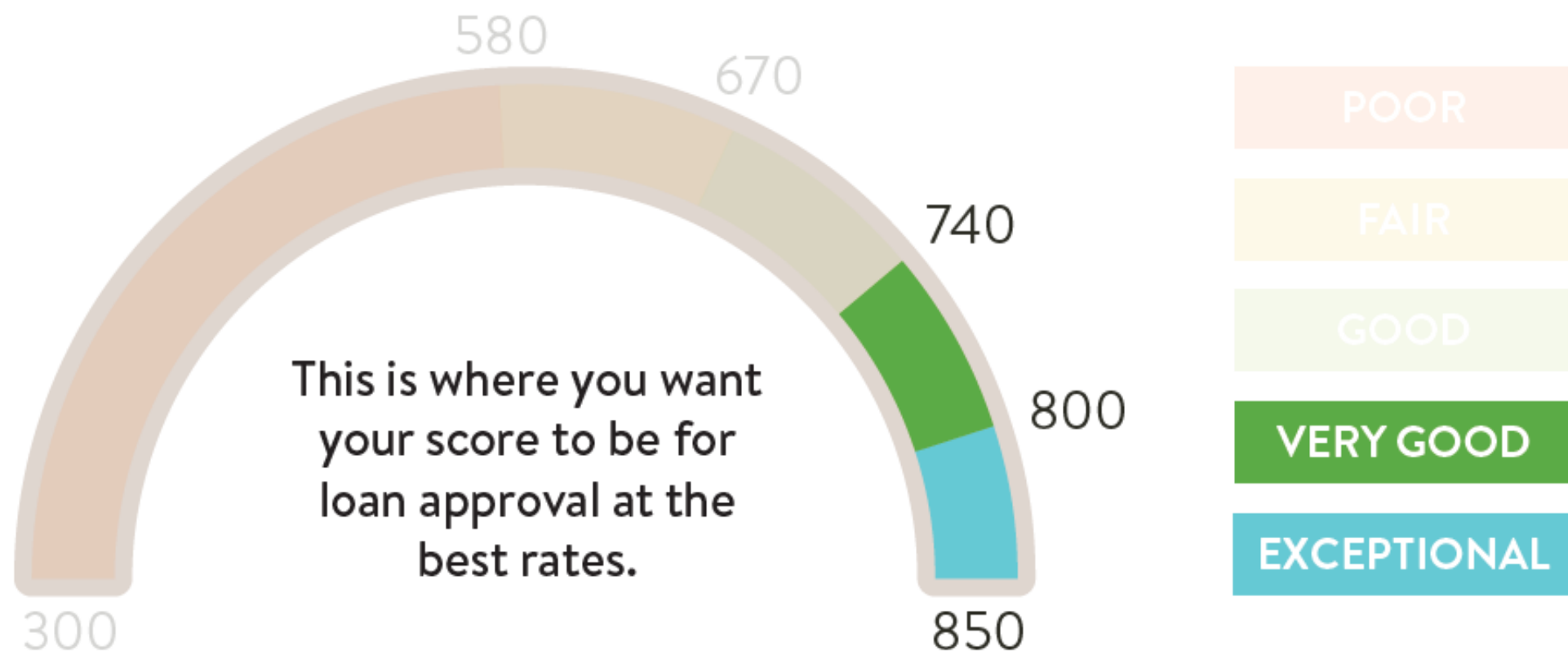
# What does your score mean?



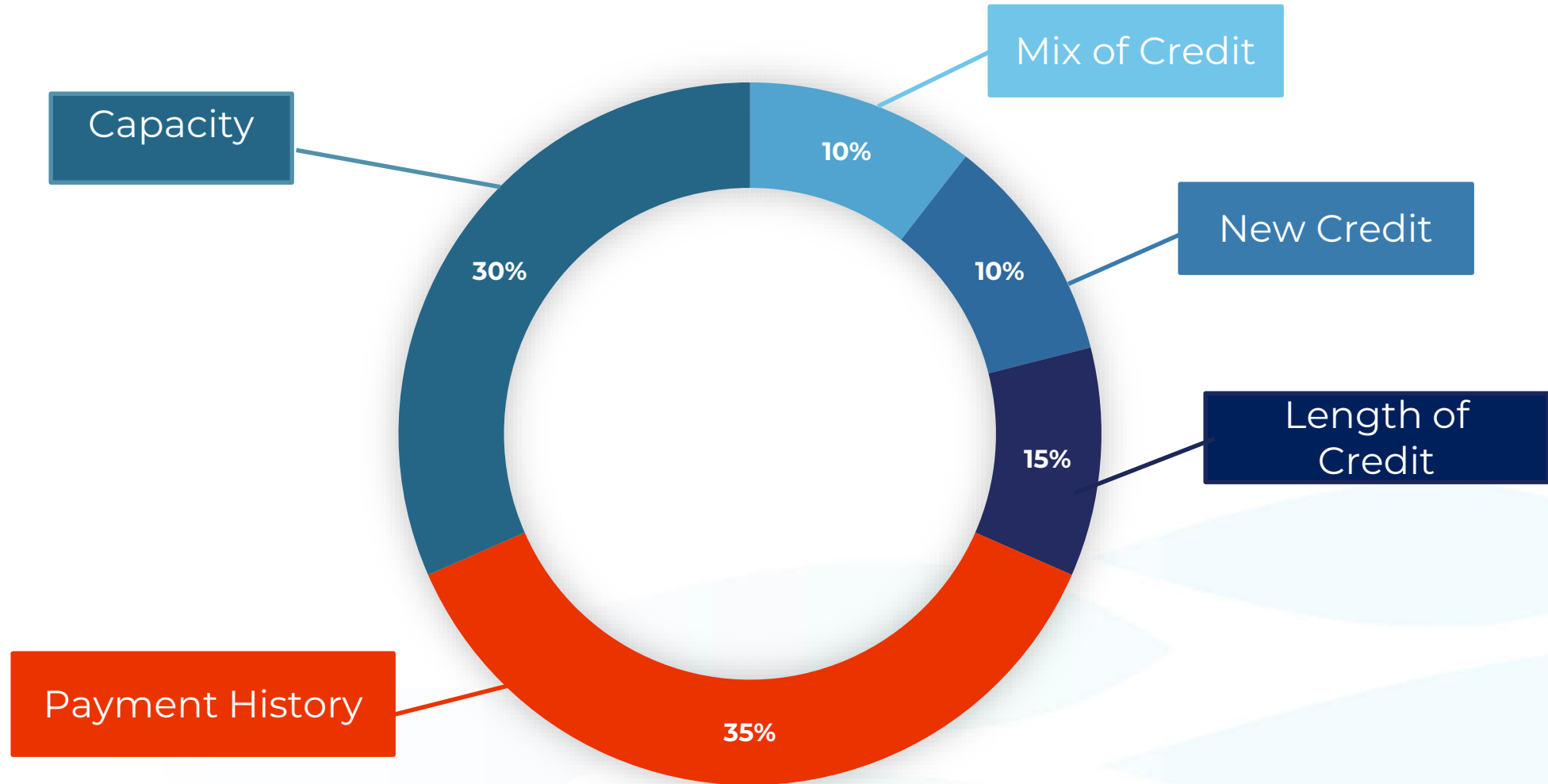








# Breakdown of a credit score



# Credit Card Tips



- Think of your credit card transactions as “mini-loans”.
- Aim for using 10% of your credit limit.
- Track your balances.
- Understand the fees and perks associated with your card.

# Credit Card Tips

- Pay your balance on time.
- Keep credit utilization low.
- Don't open multiple accounts at the same time.
- Keep accounts open.
- Review your credit report.
  - **You can request a free weekly report until April 2021 from:**



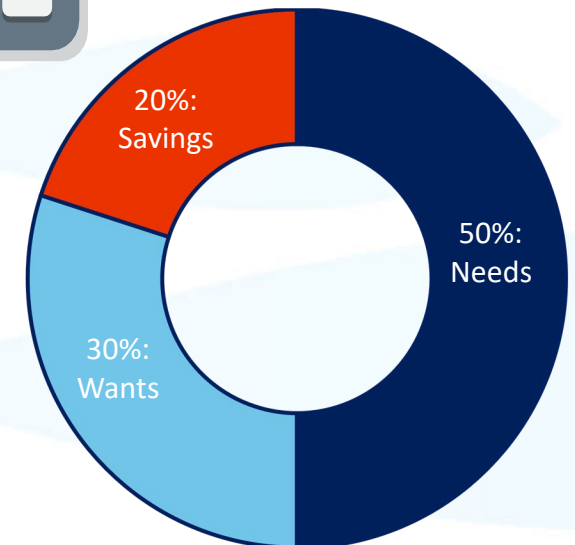
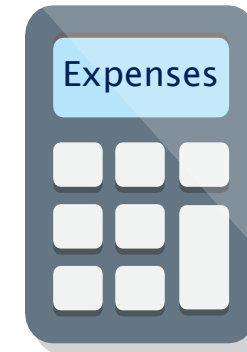
# Key factors to managing debt

- Know your creditors & your limits
- How much you owe and when payments are due
- Be aware of the interest being charged
- Create a budget
- Set reminders
- Make a plan
- Communicate



# Get organized

- Gather all your bills (credit card & loans)
- Monthly debt vs. income
- Figure out your budget
  - 50/30/20 Budget
  - Consider an emergency fund
- Reduce spending
- Stop or limit credit card use



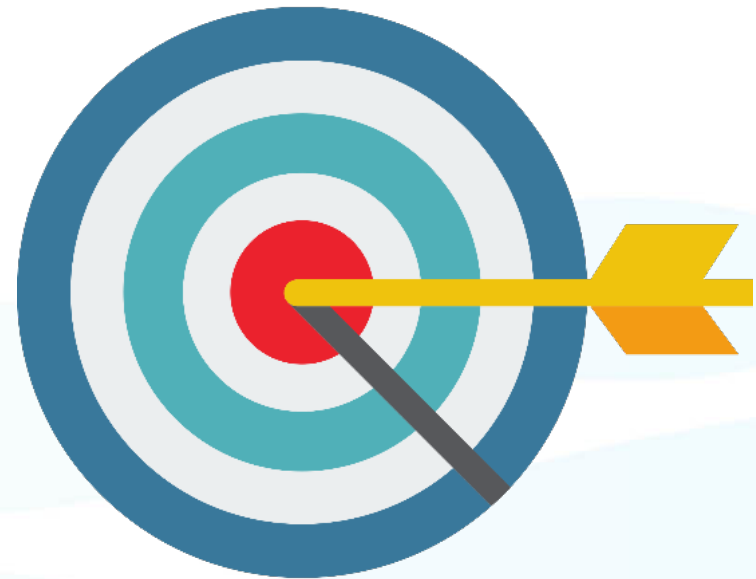
# Strategies to pay off debt

- Snowball Method:
  - Pay off your smallest debt first
  - Put as much money as you can towards this payment
  - Minimum payment on all other debts
  - Once it is paid off use add the payments towards another
- Avalanche Method:
  - Pay off highest interest rate first
  - Put as much money as you can towards this payment
  - Minimum payment on all other debts
  - Once it is paid off, start paying as much as you can on the next highest interest rate
- Consolidate:
  - Combined all debts into one
  - Lower interest rate
  - One payment
  - Balance transfer or personal loan

| Type of Debt  | Balance    | Interest Rate |
|---------------|------------|---------------|
| Credit Card 1 | \$750.00   | 14.9%         |
| Auto loan     | \$9,250.00 | 3.25%         |
| Personal loan | \$1,200.00 | 11%           |
| Credit Card 2 | \$600.00   | 11.9%         |

# Then what?

- Create good spending habits
- Continue to manage a budget
- Start saving
- Stay the course





# Q & A Time



# Questions? Contact us!



[info@soundcu.com](mailto:info@soundcu.com)



[soundcu.com](http://soundcu.com)



800.562.8130

# Save the date!

**Wednesday, January 27, 2021 at 5pm:**

New Year Re\$olutions: How to Refresh Your Budget

**Wednesday, February 24, 2021 at 5pm:**

Car Buying 101

**Wednesday, March 31, 2021 at 5pm:**

Social Security: Rethinking Retirement Income

**Thank you!**

