

# A Beginner's Guide on How to Build and Maintain Credit

Building and maintaining healthy credit is critical to excellent, long-term, financial well-being. Let's explore some of the most advantageous activities used in building healthy credit.



## **Become an Authorized User**

Ask a trusted family member (like a parent) to add you as an authorized user on their credit card.

- Ask a primary user with a long record of on-time payments.
- Make purchases with a credit card as an authorized user.
- Ensure that the credit card issuer reports all authorized users' activity.

## **Take Advantage of Student Loans**

If you've taken out student loans for college, you can build credit by making on-time payments. Student loans are installment loans and are part of your credit portfolio. The key is to borrow no more than you need and make on-time payments. If you can create a solid record of debt management through consistent loan payments, you'll be in a good place to build your credit.

## Financial Planning

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### **Apply for a Secured Credit Card**

It's often difficult to get approved for a credit card without any credit history. A secured card requires a refundable deposit, which acts as your credit limit, and can help develop a credit history. It's also a good product for someone still developing good credit habits. A secured credit card acts like any other credit card.

- You make purchases and payments like a regular credit card.
- If you fail to make on-time payments, you will accrue interest, and the payment will be deducted from your refundable deposit. Always pay your balance due in full.
- Make sure the credit card company you choose sends reports to the three credit bureaus regularly so your credit-building efforts will be well-documented and reflected in your credit score.

### **Apply for a Student or Starter Credit Card**

A Student or Starter Credit Card is designed for those new to credit, typically young adults or college students. Student-specific cards might reward good behavior, such as:

- Receive cash bonuses for good grades.
- Get higher cash-back rates after making a certain number of on-time payments.
- Built-in credit tracking tools and financial education resources offered by many.
- Access to tools to help you understand your credit score and tips on improving your score.

*Be sure to avoid multiple applications at once—each one can temporarily lower your score.*

## How to Maintain Credit Once You've Established It

### **Pay Your Bills on Time**

Your payment history is critical to building good credit, and it makes up 35 percent of your FICO credit score. Your FICO score is a three-digit number that credit companies and potential lenders use (along with your credit report) to judge your likeliness to repay them. Make payments on-time to show lenders that you're a responsible borrower and to bolster your credit score; not doing so can hurt your credit score.

## Financial Planning

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### Keep Balances as Low as Possible

Having a high outstanding debt on a credit card can negatively affect your credit score. Try to use less than 30% of your available credit (e.g., if your limit is \$1,000, keep the balance under \$300).



*The lower the utilization, the better—under 10% is ideal.*

### Pay Attention to Hard vs. Soft Credit Checks

Soft credit checks usually come from a free online platform. These don't affect your credit score. Companies usually do hard checks when you're applying for a loan or credit card. Hard checks stay on your credit report for two years. FICO usually disregards them after about a year.

### Keep Track of Your Credit

Use free platforms to track your credit record regularly. Most banks offer a free credit tracker as part of having a checking account. Many free services can help you check your report for errors.

### Key Takeaways

Starting small, staying consistent, and making responsible financial choices lay the foundation for a strong credit profile that opens doors to better opportunities, from securing a car loan to getting approved for your dream apartment. Remember, good credit isn't built overnight. It takes patience, discipline, and the right tools to set yourself up for long-term financial success and greater peace of mind. Start today, and let your future self thank you later!

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