

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

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

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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