Wealth Wellness

Credit Fitness
What, Who, Why & How

February 2024

What is credit?

Your reputation as a borrower.

Determines

CREDIT SCORE

Who keeps track of your credit?

Credit bureaus like Equifax, Experian, and TransUnion maintain your credit history, which includes missed credit card payments, credit accounts, payment history, and current outstanding balances. This information determines your credit score. You can order a FREE report from all 3 agencies annually **here.**

EQUIFAX experian. TransUnion

Why is it important?

Your credit score is used by:

Lenders

Insurance Companies

Landlords

Prospective Employers

It's in your wallet's favor to build good credit.
High credit scores = lower interest rates = less money you're paying back to the bank

FICO Credit Score:

The most common and well-known credit score is the FICO score. This is the score that banks, insurance companies, landlords, etc. use to evaluate your credit worthiness.

Scores range from 300-850, the higher the better.

The 5 factors that make up a FICO credit score:

1 Payment History
Score Weight: 35%

What is it?
Making credit card and loan payments on time.

2 Amounts Owed
Score Weight: 30%

What is it?
Long term debt (home loan) can increase your score. ALWAYS pay off credit card debt.

3 Length of Credit History
Score Weight: 15%

What is it?
Long term credit can improve history.

4 New Credit
Score Weight: 10%

What is it?
Don't apply for new credit unless necessary.

5 Credit Mix
Score Weight: 10%

What is it?
A variety of credit types (credit card, home loan, etc.) is best.

How to improve your credit score:

- Pay bills on time
- Pay credit cards in full each month
- Check your credit report for mistakes and report them
- Accept an increase in credit limit if offered

- Miss payments
- Use more than 30% of credit limit
- Close old credit cards
- Apply for new credit unless necessary

Everyone's credit journey is different and unique. How this information applies to your specific situation may vary.

Ready for more? Check out the Learning Lab for more or reach out to any member of the FLO team.