



WERNER FINANCIAL
CUSTOMIZED INVESTMENT SOLUTIONS

UNDERSTANDING CREDIT



Understanding credit is all about recognizing the responsibility that comes with it. We as a firm often emphasize it is essential to establish and maintain good credit, which requires a continuous effort. To help you achieve this, we have put together some useful tips and tricks to guide you along the way.

- 1. Making timely payments is crucial.** It is important to pay off your balance at the end of each month to ensure that you are living within your means and avoiding the accumulation of interest on your charges. Take a moment to familiarize yourself with your bank's late payment policy. Be cautious of potential consequences such as late payment fees, increased interest rates (penalty rates), and the negative impact on your credit history and credit score.
- 2. Maintaining lower balances on your credit cards can be highly advantageous.** It demonstrates responsible credit usage and indicates that you have not overextended yourself with excessive credit card debt. Having lower credit card balances compared to your credit card limits can potentially result in higher credit scores.
- 3. It is beneficial to have a diverse mix of credit card and loan accounts in your name.** This demonstrates your ability to manage various types of loans, which in turn can help boost your credit score. Your credit mix contributes 10% to your FICO credit score.
- 4. Minimize inquiries into your credit score by vendors or companies as much as possible.** This will help you maintain a good credit score. The more companies inquire about your credit, the greater the negative impact on your score.
- 5. Regularly review your credit reports:** Obtain copies of your credit reports from the major credit bureaus (Equifax, Experian, and TransUnion) and carefully review them for any errors or discrepancies. Disputing and correcting inaccuracies can help improve your credit score.
- 6. Maintain a low credit utilization ratio:** Aim to keep your credit card balances low compared to your credit limits. A lower credit utilization ratio (the amount of available credit you're using) can positively impact your credit score. Try to keep it below 30% for optimal results.
- 7. Avoid opening too many new accounts:** Opening multiple new credit accounts within a short period can raise concerns for lenders and negatively impact your credit score. Only apply for new credit when necessary and be mindful of the potential consequences.
- 8. Keep old accounts open:** Length of credit history is an important factor in calculating credit scores. If you have old, well-managed accounts, it's generally beneficial to keep them open. Closing old accounts can shorten your credit history and potentially lower your score.
- 9. Use credit responsibly:** Demonstrate responsible credit behavior by making timely payments, avoiding maxing out credit cards, and keeping a consistent payment history. Responsible credit management over time will contribute to a positive credit profile.
- 10. While it may seem obvious, it is crucial to avoid filing for bankruptcy whenever possible.** Bankruptcy has a severe and long-lasting impact on your creditworthiness, making it extremely challenging to obtain credit in the future.

Remember, building and maintaining good credit takes time and diligence. By implementing these tips and tricks, you can establish a solid credit foundation and improve your overall financial well-being.

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