



Financial Literacy

Financial literacy is the ability to understand and manage your personal finances. As a student, this means making informed decisions about budgeting, saving, spending, and borrowing.

Managing Credit

Credit is your reputation as a borrower. In order to work on having a good reputation, credit-wise, you should view your credit report and know your credit score.

Credit Report vs. Credit Score

A [credit report](#) is a detailed report of your credit history. It has your personal information, employment history, and a list of both open and closed credit accounts. You can get a free copy of your credit report three times per year, once from each [credit reporting agency](#). It's a good idea to review your report at least once per year to ensure accuracy and check for fraud. If someone were to fraudulently open a line of credit in your name, you might not find out without checking your report.

A [credit score](#) (aka FICO score) credit score is a prediction of your credit behavior, such as how likely you are to pay a loan back on time, based on information from your credit reports. It is based off of your credit report and was designed as a time-saving measure to help lenders avoid having to review your credit report in detail. FICO scores range from 300-850 with the majority of Americans coming in between 600-800. The higher the score, the lower the chance of a *default* (failure to fulfill your financial obligation).

[Credit score ranges](#) vary across creditors and score types. For base FICO® Scores, the credit score ranges are:

- Poor credit: 300 to 579
- Fair credit: 580 to 669
- Good credit: 670 to 739
- Very good credit: 740 to 799
- Excellent credit: 800 to 850

If you plan ahead and build a solid credit history, you can pay lower costs on all sorts of credit products like private graduate school loans, credit cards, insurance, and auto loans.

What factors impact my credit score?

Factors that are typically taken into account by credit scoring models include:

- Your bill-paying history
- Your current unpaid debt
- The number and type of loan accounts you have

- How long you have had your loan accounts open
- How much of your available credit you're using
- New applications for credit
- Whether you have had a [debt sent to collection](#), [a foreclosure](#), or [a bankruptcy](#), and how long ago

Set Yourself Up for Financial Success

Credit is the lifeblood of a modern economy. If you have a credit card and take the time to learn about credit and how to manage it, you can come out of school with a stellar credit score that will make it possible for you to rent an apartment without hassle or finance a car with the most favorable terms.

1. Creating a Budget

A well-planned budget is the cornerstone of financial success. Learn how to track your income, manage your expenses, and ensure you're not overspending.

- **Track Your Spending:** Keep an eye on both fixed and variable expenses.
- **Prioritize Needs vs. Wants:** Separate necessary expenses (tuition, housing) from discretionary spending (eating out, entertainment).
- **Save for Emergencies:** Always have a financial cushion for unexpected expenses.

2. Managing Student Loans

Student loans can be a heavy burden, but understanding how to manage them can ease your worries.

- **Know Your Loan Types:** Federal vs. private loans, subsidized vs. unsubsidized, and the interest rates associated with them.
- **Repayment Plans:** Explore different repayment options, including income-driven plans or consolidation.
- **Avoid Default:** Stay on top of your loan payments and communicate with your lender if you're struggling.

3. Building Credit

Your credit score plays a significant role in your financial future. It's never too early to start building it.

- **Get a Credit Card:** Use a credit card responsibly, paying off the balance each month.
- **Pay Your Bills on Time:** Timely payments help build a positive credit history.
- **Monitor Your Credit:** Keep an eye on your credit report to ensure accuracy and identify any fraudulent activity.

4. Saving and Investing

Even on a tight budget, it's possible to start saving and planning for the future.

- **Emergency Fund:** Aim for at least 3 to 6 months' worth of living expenses in case of unexpected events.
- **Start Small:** Even small amounts saved regularly can add up over time.
- **Investing Basics:** If you're looking to build wealth, learn the basics of investing in stocks, bonds, and mutual funds.

Are You Ready for a Credit Card?

Answer the following questions:

Do you have a steady income? You need to make sure you have enough money coming in to pay for the things you buy with your card.

Are you good managing money? Credit cards are like mini loans. You borrow money, then pay it back later, usually with interest if you don't pay in full.

Do you understand interest and fees? If you don't pay your credit card bill on time, you'll be charged extra money, called interest. Also, some credit cards have fees for things like late payments.

Do you know the consequences of missing payments? Missing payments can hurt your credit score, which can make it harder for you to borrow money in the future, like for a car or house.

Do a simple experiment and track your spending for two weeks.

- Do you give in to impulse buying often?
- Are you spending more per week than you earn per week from a part-time job?

If your answer is yes to either of these questions, then getting a credit card may not be right for you until you are able to get your spending under control. While having a good credit score is important, you can't be successful if you are not responsible with money. **Your goal should be to pay off your credit card in full every month.**

Saving and Investing

Figuring out how to secure your financial well being is one of the most important things you can do for yourself.

For the majority of people, the way to gain financial security is by saving and investing. As a college student, these are likely topics that are not on your radar at this moment in time. Saving is a key principle! If you make saving a habit, even if it's a small amount, you are building a foundation for financial success.