



Credit Savvy: Unlocking the Secrets to Smart Credit Card Use

Workshop Presenter:

Lisa Karam

The Empowered Wallet

Welcome to my workshop. My name is Lisa Karam and I am happy you are here. Tonight, you will learn about how credit works – both for you and against you. Before I tell you about me, can you tell me more about you? If you are comfortable sharing, what interested you in tonight's workshop? What are you hoping to learn about? If comfortable share your first name.

25+ Years in Financial Services and Communications

Sales. Marketing. Reporter. Editor.

Lisa Karam

Financial Educator

Passionate about educating on personal finance.

MassMutual

PHOENIX

Hartford
Courant

Northwestern Mutual

GULFSHORE
BUSINESS

CNA

Insure.com

Mom. Wife. Grandma! Sister. Daughter.



I always considered that I had a checkered career, going from one field to another. But I've realized two things. I love talking about finance. My husband says it's my love language! And I also am a communicator.

I have been in the in the financial service industry for most of my career; and part of my career has been spent in marketing and communications. I have written about financial topics as a marketer and a reporter and at one time held a Series 6 securities license and wrote marketing materials educating people on topics like life insurance, annuities and various investments. I think one of my proudest achievements is teaching my two adult daughters about financial literacy. I think they are doing great!

I am not here to provide investment advice but rather to provide you with information to help you make good financial decisions.

[Tell my credit card story]

- Ask questions along the way
- I may slip into "industry" speak so please stop me if I am using unfamiliar terms.



Credit measures your borrowing history

Credit Report

A statement that has information about your credit activity and current credit situation.

Credit Score

Prediction of your credit behavior, such as how likely you are to pay a loan back on time.

Credit is an agreement between a lender and a borrower that allows the borrower to obtain funds, goods or services now and repay them later.

Credit report: A statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts.

Credit score: 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.

Consumerfinance.gov (Consumer Financial Protection Bureau)

- Raise your hand if you have seen your credit report
- Raise your hand if you know your credit score.

Credit scores

67% of
Americans
are here





Key terms to know

Credit Limit

Amount of credit a lender grants you on a credit card or other type of credit account.

Credit Utilization

Amount of available credit used at a given time. Ideally, no more than 30% of total available credit.

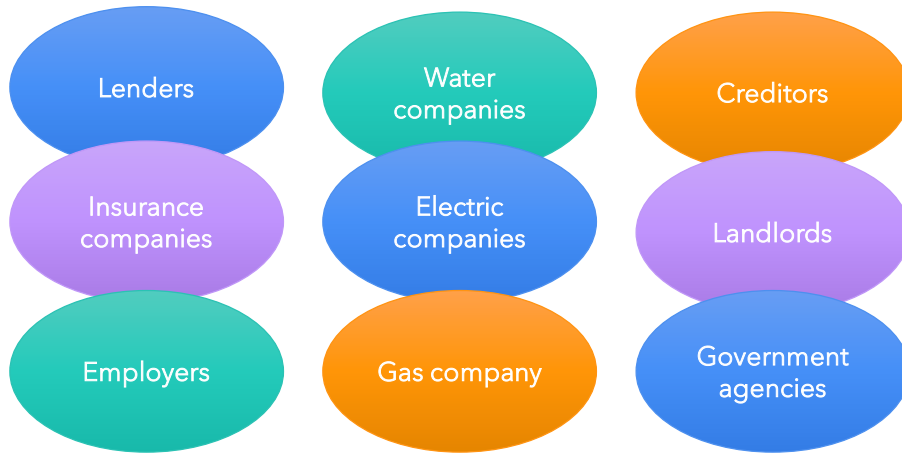
Hard Inquiry

Inquiry from a lender to view your credit report; this impacts your credit score.

Soft Inquiry

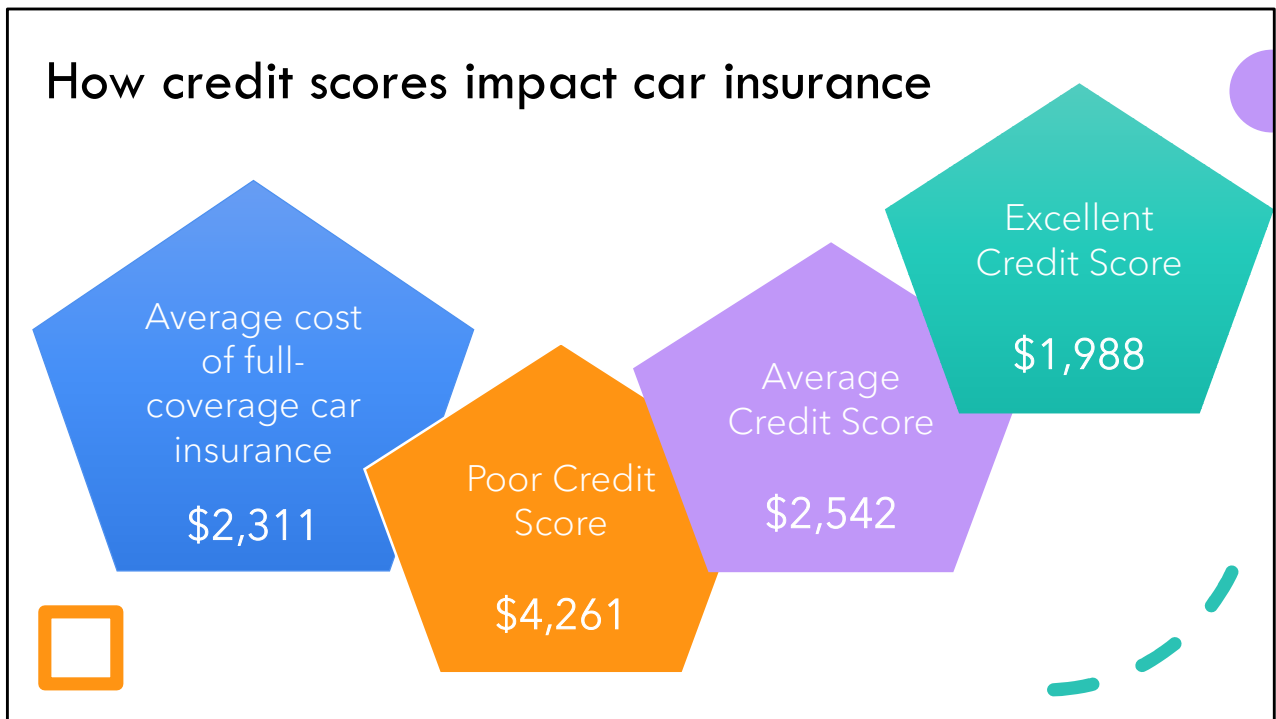
Inquiry from a lender to show your approval odds; does not impact your credit score.

Which groups have legal access to your credit score?



<https://www.nerdwallet.com/article/finance/who-can-access-your-credit-report>
Utility companies pulling your credit score: <https://consumer.ftc.gov/articles/getting-utility-services-why-your-credit-matters#applying>

How credit scores impact car insurance



Car insurance rates source: Bankrate

Average car insurance rate is Male or Female, age 40, clean driving record, good credit and a 2022 Toyota Camry driven 12,000 miles annually.

What impacts your credit score

Payment history

Amounts owned

Credit history

Credit mix

New credit



How is your credit score calculated? <https://www.fidelity.com/learning-center/smart-money/how-is-credit-score-calculated>

FICO

- ✓ 35% payment history
- ✓ 30% amounts owed
- ✓ 15% length of credit history
- ✓ 10% credit mix (credit cards, mortgages, and student loans)
- ✓ 10% new credit

VantageScore 4.0

- ✓ 41% payment history
- ✓ 20% depth of credit (length of your credit history and credit mix)
- ✓ 20% credit utilization
- ✓ 11% recent credit
- ✓ 6% balances
- ✓ 2% available credit

What does NOT impact your credit score



Pay credit cards on time! Set auto payment

Monitor your credit utilization ratio

Increase your credit limit; it lowers your credit utilization ratio

Become an authorized user

Correct credit report errors

Use a secured credit card

How to monitor your credit report



Tip!

Never pay for your credit report or for credit monitoring services!

By law, you are entitled to have your credit report at no cost.

Set up your own free monitoring strategy.

Step by Step

1. Go to AnnualCreditReport.com
2. Order Experian report
3. In four months later, order Equifax
4. Four months after that, order TransUnion
5. Repeat!

While you can check your credit report weekly, it's good practice to use this cycle to check and correct.

How to correct your credit report

Contact the credit bureau
and the creditor

Provide info/documentation

Credit bureaus have 30 days
to investigate

Equifax
[Equifax.com](https://www.equifax.com)
800-685-1111

Experian
[Experian.com](https://www.experian.com)
800-EXPERIAN

Trans Union
[Transunion.com](https://www.transunion.com)
800-916-8800

Errors must be
removed.

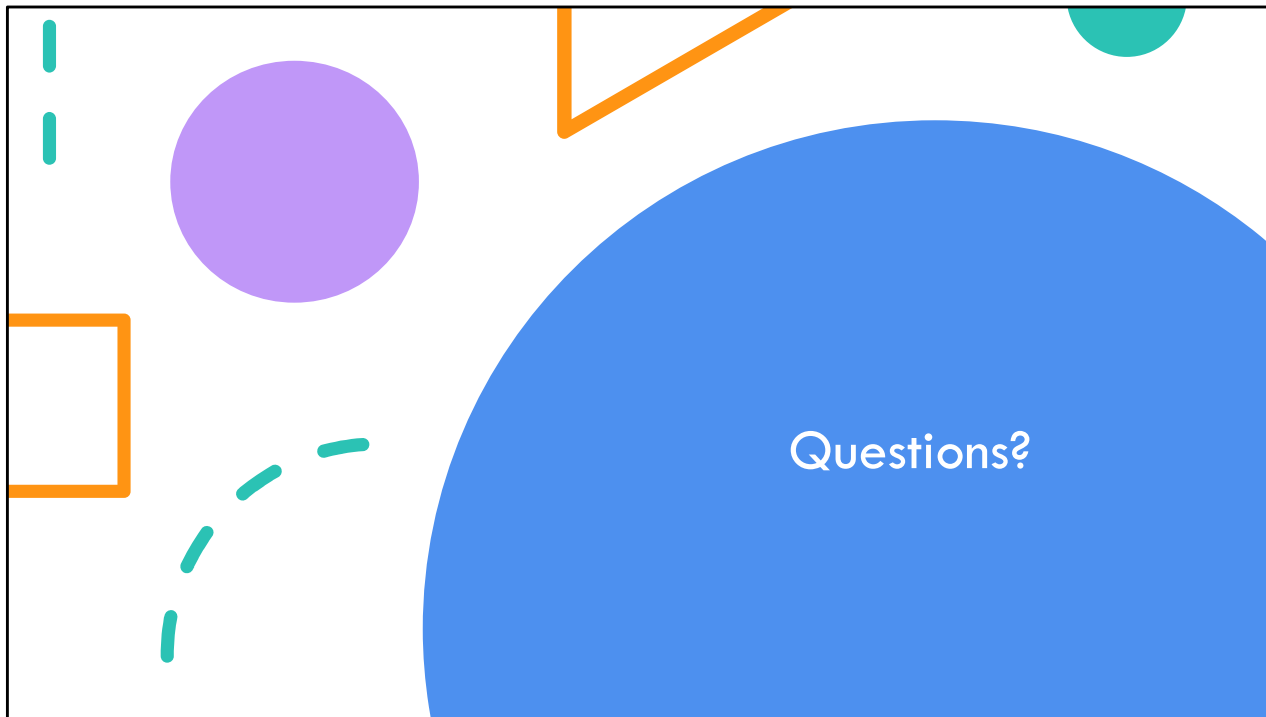
If not removed, you
can include a
comment.

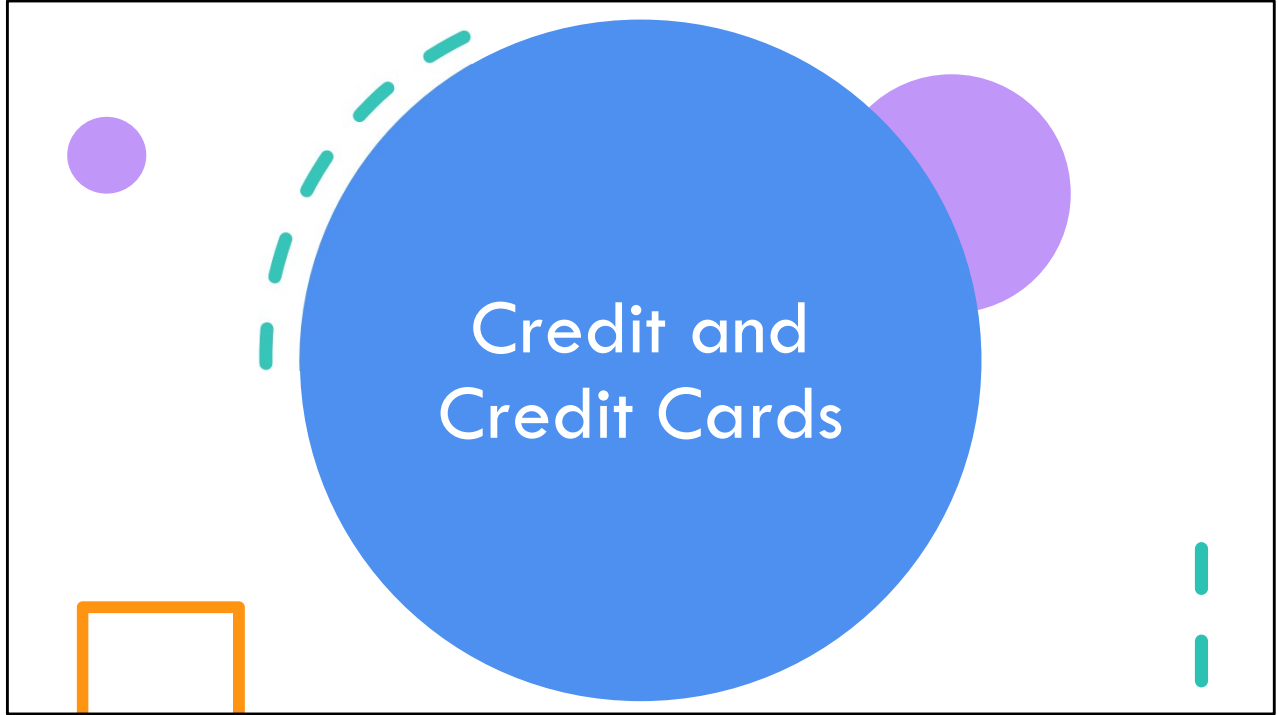
Report fraud or scams
to the FTC

<https://reportfraud.ftc.gov>

Correct any errors, question unknown information,
watch for fraudulent accounts.

- Discuss what happens when sharing credit
- Discuss trusted relationships





We are going to start on credit reports and credit scores. Here we go!

What is Credit?



An arrangement that allows you to borrow money now and repay it later.

What is a Credit Card?



A plastic (or metal) card issued by a bank that allows you to borrow funds with a stated credit limit.

Let's first define credit. What is it??

[ask for volunteers; then show the answer]

Nice work! Now, what is a credit card?

[ask for volunteers; then show the answer]

Source: An arrangement that allows you to borrow money now and repay it later. (Investopedia)

Credit Cards: Benefit and Watchpoints

Benefits

- Convenience: don't have to carry large amounts of cash
- Use of **someone's else's money** to make purchases
- Responsible use helps you build credit

Watch Points

- Very easy to spend on frivolous items (e.g. coffee drinks)
- Inappropriate borrowing
- High balances and late payments impact your credit score

Read slide

- Ask for more benefits and watchpoints.

Glossary of terms

APR

Annual Percentage Rate includes the interest rate and any fees

Teaser Rate

Introductory rate for a certain amount of time

Balance Transfers

Moving debt from one credit card to another

Penalty Rate

Charges for late payments, returned payment or term violation

Fees

Late payment, cash advance, balance transfers, annual fee

Cash advances

Higher interest rate, cash advance fee

* End by asking if these are familiar to you

How much does this iPhone 15 Pro Max cost ?



\$1,200

Interest Rate	18%
Minimum Payment	\$30
# Months	131
Interest	\$1,223.16

\$1,200
+ \$1,223.16
\$2,423.16

To understand the concept of credit, let's use the example of purchasing a new phone. Everyone can identify with that, right?

Let's say the iPhone 15 Pro Max costs \$1200. and Let's also suppose "Ted" charges the phone on his credit card with an interest rate of 18% and makes the minimum payment of \$30 each month. It would take him 131 MONTHS TO REPAY and the phone would actually cost Ted \$2,223.16. that is \$1223.16 in interest. That is more than the phone costs.

Why would you want to do this?? The answer is: you don't.

[Buy iPhone 15 Pro and iPhone 15 Pro Max – Apple](#)

Interest + 1% of balance

Look at these balances

Payment Schedule

Month	Minimum Payment	Interest Paid
1	\$30.00	\$18.0
2	\$29.70	\$17.8
3	\$29.40	\$17.6
4	\$29.11	\$17.4
5	\$28.82	\$17.2
6	\$28.53	\$17.1
7	\$28.24	\$16.9
8	\$27.96	\$16.7
9	\$27.68	\$16.4
10	\$27.41	\$16.4
11	\$27.13	\$16.2
12	\$26.86	\$16.1



\$1,063.67

5 years

\$17.44	\$10.46	\$6.98	\$690.42
\$17.26	\$10.36	\$6.90	\$683.52
\$17.09	\$10.25	\$6.84	\$676.68
\$16.92	\$10.15	\$6.77	\$669.91
\$16.75	\$10.05	\$6.70	\$663.21
\$16.58	\$9.95	\$6.63	\$656.58

\$656.58

10 years

\$15.00	\$3.27	\$11.73	\$206.18
\$15.00	\$3.09	\$11.91	\$194.28
\$15.00	\$2.91	\$12.09	\$182.19
\$15.00	\$2.73	\$12.27	\$169.92
\$15.00	\$2.55	\$12.45	\$157.47
\$15.00	\$2.36	\$12.64	\$144.83

\$144.83

Spending triggers



An emergency fund can help avoid charging unexpected expenses and paying INTEREST!



Consumer rights: The CARD Act

The Credit Card Responsibility and Disclosure Act of 2009 regulates credit card accounts

Establishes fair and transparent practices when offering credit

Limits marketing.
Prohibits credit card companies from extending credit without assessing the consumer's ability to pay (special rules for those under 21)

Creates transparency.
Statements must disclose how long it would take for consumers to pay the full balance by paying only the minimum monthly payment

Regulates interest.
Restricts when and how issuers can increase interest rates

Issuers must give 45 days' notice of interest rate increase

Controls due dates.
Payments must be due on the same day of each month

Lowers fees.
Restricts fees and limits penalties for late payments and passing your credit limit

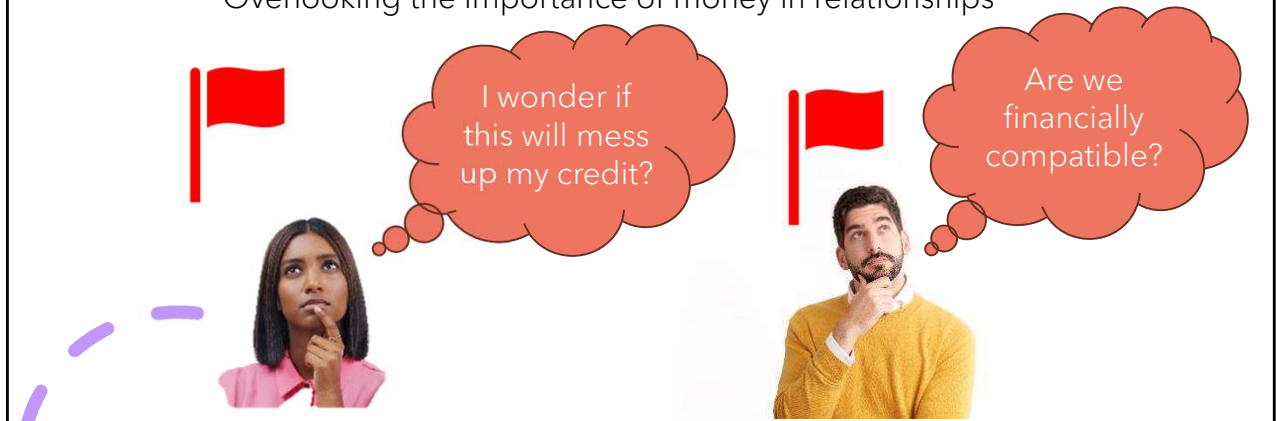
[View Full Report](#)

Microsoft Word - FINAL - CARD Act Report - revised.docx (consumerfinance.gov)





Financial intimacy

Sharing your private financial information with someone else

Overlooking the importance of money in relationships



Types of credit

Category	Description	Examples
 Secured	Backed by collateral, which means that if you don't make payments, your lender can seize that asset.	House, car
 Unsecured	Does not require collateral but may charge a higher interest rate and have tighter credit requirements because of the added risk to the lender.	Personal loans, student loans, credit cards
 Open End	Borrower can draw money repeatedly up to a certain pre-approved limit.	Home equity line of credit (HELOC); credit cards
 Closed End	Funds are dispersed in full when the loan closes and must be paid back, including interest and finance charges, by a specific date.	Mortgages and car loans, appliance loans; home equity loan

Source: <https://www.investopedia.com/secured-vs-unsecured-loans-7558592>

Paying off debt

There is a powerful way to pay off debt.

But first, you must commit to your goal!



\$6,501

Average U.S. credit card balance

There is a very powerful way to pay off debt. But first, you must commit to your goal!

As of 2023, the average U.S. credit card balance was \$6,501, according to Experian.

Two steps to reducing debt

1 Make a commitment to **stop borrowing and charging** until all debts are paid.

2 Use a **debt reduction plan** on current obligations.



It may seem overwhelming. And sometimes, it really is. But people CAN get out of debt. There are only 2 steps.

[read slide]

The secret to getting out of debt boils down to one thing: MOTIVATION. You must be motivated to reach your goal. Every time it's tempting to charge something, Ted should remember his mantra: pay my credit card debt!

Approach to paying credit card debt (or any debt)

Snowball Plan



Pay *smallest debt* first

Avalanche Plan



Pay *highest interest rate* first

Here are two familiar approaches to paying debt. This can include credit cards or any group of debts. It's making power payments. These are part of a technique often suggested by financial experts to help families and individuals gain control of their consumer debts. The plan is this:

- First, make a commitment to stop borrowing or charging until all debts are paid.
- Second, make power payments on current obligations.

This means as soon as one debt or the first debt is completely paid off, the monthly payment from that debt is applied to the next debt. Money from paid off debts continue to be combined towards other debts until all are paid.

The total amount of money paid towards these debts each month is held constant until all are paid. It is not necessary to come up with extra money to be successful.

True or False

You need to carry a credit card balance to build credit. False	You should cancel credit cards you're not using. False	You may be able to downgrade your card without a new inquiry. True
You should never cancel credit cards. False	Having multiple credit cards is bad for your credit. False	Missing a payment always hurts your credit score. False
Credit cards are non-negotiable. False	You can "roll" an interest charge. True	You can get a 0% introductory rate. True

Instructions: Get out a scratch pad and pen and see how many you can guess right!

Instructor Notes: Print the responses!

1. You need to carry a credit card balance to build credit

FALSE. You don't need to carry a balance to build your credit. That just means you're paying unnecessary interest charges every month. It's always better to pay your bill in full to avoid that interest. You do need to use your credit card regularly so you can build a positive payment history. But simply charging at least one purchase per month and paying it off by the due date will accomplish that for you. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

2. You should cancel credit cards you're not using

FALSE. Although it's normal to cancel products and services you're not

using, this doesn't always apply to credit cards. When you cancel, you lose its credit line and have less available credit to your name. If you're currently carrying any credit card balances, this can cause your [credit utilization](#) to go up, and that accounts for 30% of your FICO® Score (the most widely used type of credit score). Because of that, canceling a credit card can make your credit score decrease. It's often better to keep a card open so you still have its available credit and its account history. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

3. You may be able to upgrade or downgrade your card without a new inquiry.

TRUE. You may be able to change to a different card from the same issuer and avoid a new hard inquiry on your credit report. When you apply for a new credit card, an issuer will typically make a hard pull on your credit. These hard inquiries can have a small but meaningful impact on your credit score — especially if you plan to apply for a mortgage or other type of loan in the near future. Upgrading or downgrading cards from the same issuer can help you avoid a hard inquiry and the temporary hit to your credit score. SOURCE: [7 Little-Known Facts About Your Credit Card | Bankrate.com](#)

4. You should never cancel credit cards

FALSE. You shouldn't cancel a credit card if doing so will significantly increase your credit utilization or if it's one of the cards you've had the longest, as the lengthy account history will be good for your credit. Otherwise, don't feel like you need to keep cards open for no reason, as it just gives you one more thing to keep track of. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

5. Having multiple credit cards is bad for your credit

FALSE. When you have several credit cards, one of the most common questions people will ask you is, "Isn't that bad for your credit?" It's not, because your number of credit cards isn't a criteria used in calculating your credit score. That said, each credit card application requires a hard inquiry on your credit file, and those can decrease your score by a few points. Since account history length is a scoring criteria, having many new credit cards can also make an impact. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

6. Missing a payment always affects your credit score

FALSE. Late payments can affect your score, but only if you miss the mark by at least 30 days. Your bank reports your credit card payments to the credit

reporting agencies using codes. The code that corresponds to current accounts covers those that paid on time to those that are up to 29 days past due. The codes for past-due accounts start with those that are at least 30 days late. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

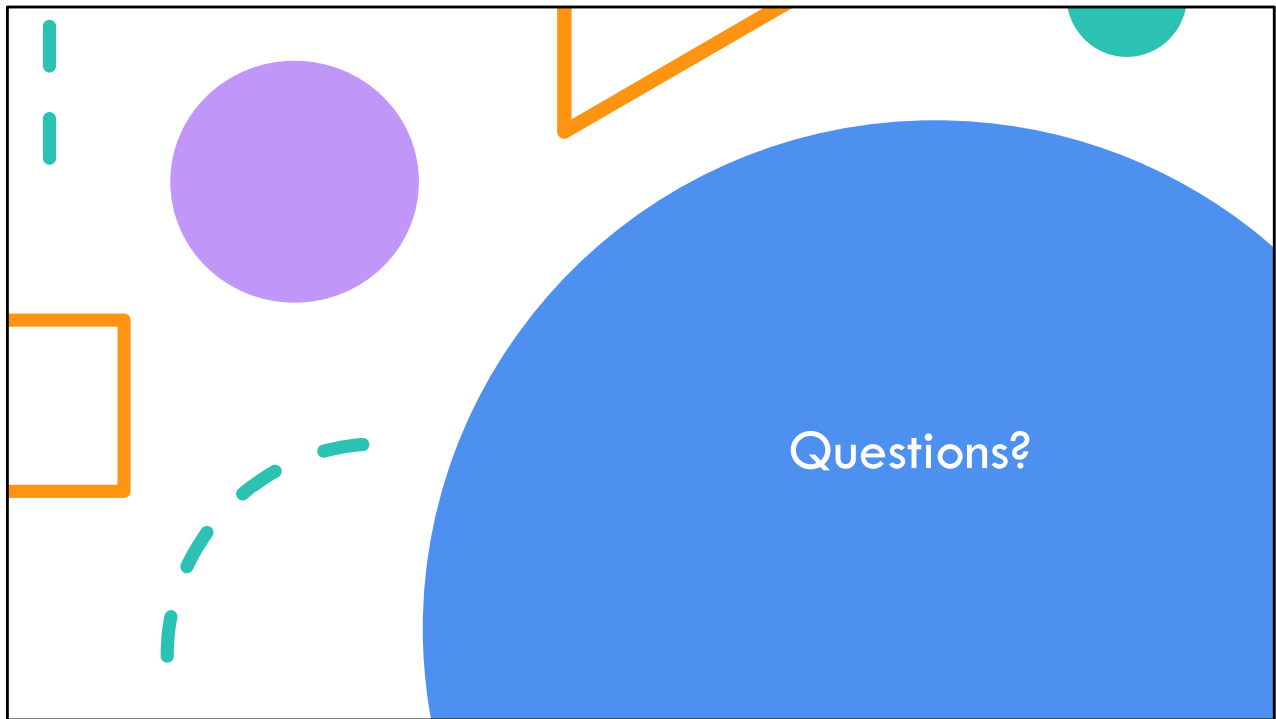
7. Credit card terms are non-negotiable

FALSE. Many consumers assume that they need to accept whatever terms their bank has given them. In reality, if you're paying a lot of interest on a credit card balance, ask them to lower it. If you're not sure a card is worth the annual fee, see if the bank will waive it for another year or give you a retention offer, such as bonus rewards, to make it worth your while. You'll only know what you can get if you ask. The worst-case scenario is that your bank says no, so there's zero downside in trying. SOURCE: [6 Credit Card Myths You Should Stop Believing \(fool.com\)](#)

8. You can say "no" to an interest change.

TRUE. If your credit card issuer hikes your APR, you can say "thanks, but no thanks," under the CARD Act. It's possible the company will cut you a deal and let you keep the old interest rate, but you'll have to get that in writing. What the issuer can't do is demand that you pay off the entire bill on short notice. If you refuse the new rate, you should still have several years to pay off your balance under the old rate. SOURCE: [7 Little-Known Facts About Your Credit Card | Bankrate.com](#)

9. You can lose your 0% rate. TRUE. If you have good or excellent credit (credit scores of 690 or higher), you might qualify for a credit card with a [0% introductory APR](#) on purchases, balance transfers or both. But that promotional window may not be guaranteed. If you pay late, for instance, the issuer could cancel the 0% APR offer and start charging the card's ongoing variable interest rate instead. Depending on the card, a much higher [penalty APR](#) can also apply after missing a payment.



Knowledge Check

750 is a good credit score

True

Is it ideal to make minimum payments?

No!

It's ok to have a lot of credit cards.

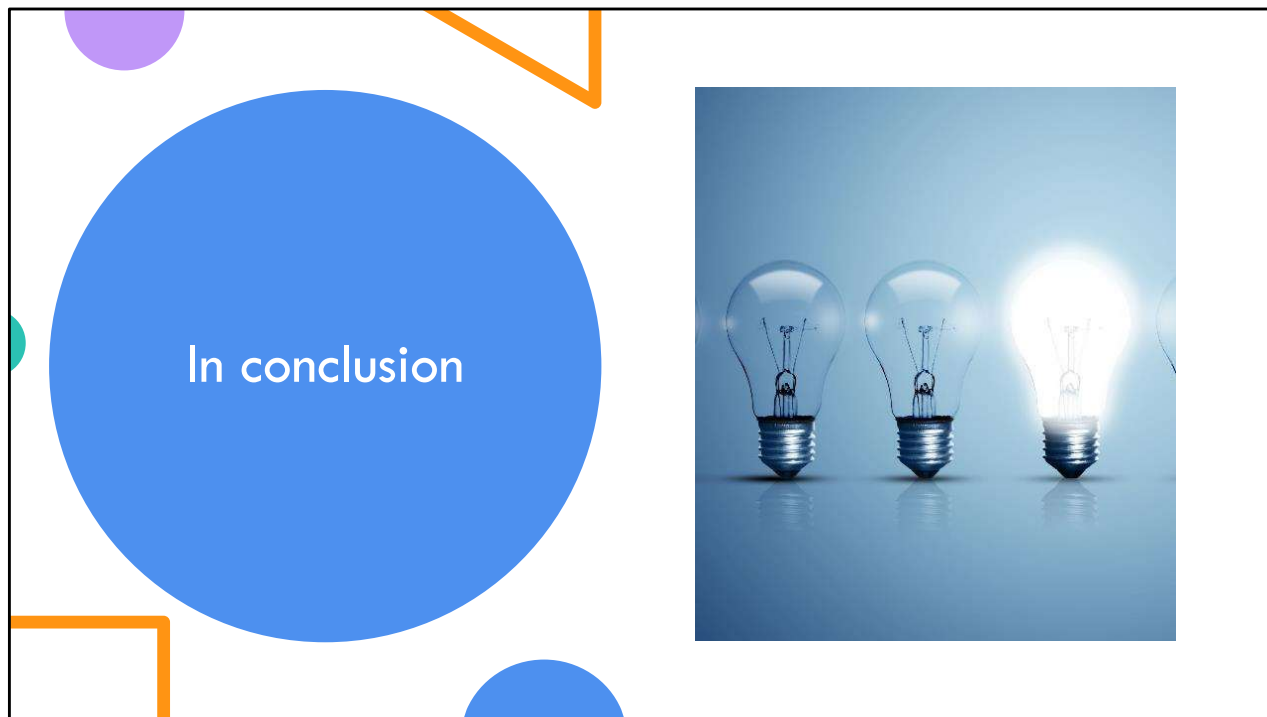
Sort of

What helps me get out of debt?

Snow ball or Avalanche

It's ok to pay for a credit report

False



To end this presentation, it's important to remember that credit is a tool you can use that will save you from spending unnecessary money. Money that you can save or invest instead of spending higher amounts of money on insurance or on your credit cards!

Let the game of credit work FOR you and not AGAINST you!



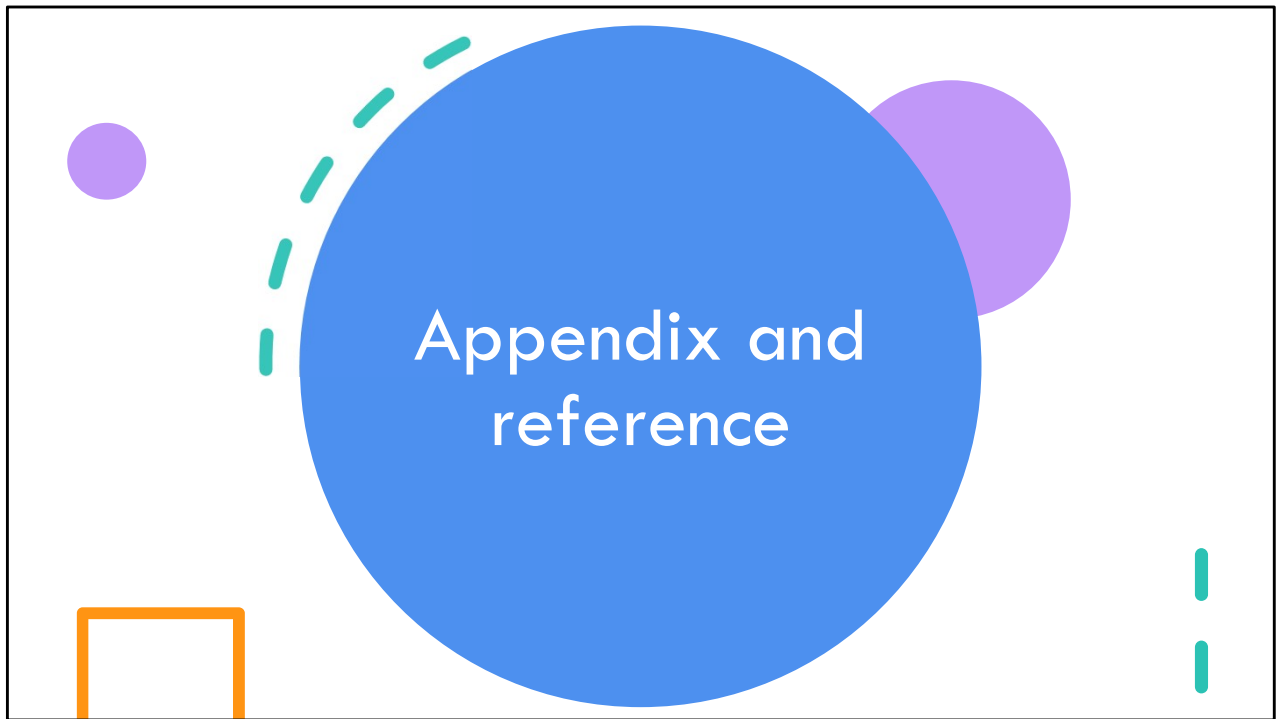
The Empowered Wallet

Are you ready to regain control of your finances? I can help.

- Get your financial bearings
- Tackle an immediate financial crisis
- Overcome debt
- Grow your savings
- Manage student loans
- Build a sound financial foundation.

TheEmpoweredWallet@gmail.com

(860)539-4898



\$ Your Bank

Account Number: XXXX XXXX XXXX XXXX
 Customer Service: 1-800-XXX-XXXX
 Page 1 of 2

1 ACCOUNT SUMMARY

Account Number XXXX XXXX XXXX XXXX
 Previous Balance \$XXXX.XX
 Payment Credits \$XXXX.XX
 Purchases \$XXXX.XX
 Balance Transfers \$XXXX.XX
 Cash Advances \$XXXX.XX
 Fees Charged \$XXXX.XX
 Interest Charged \$XXXX.XX
New Balance \$XXXX.XX
Past Due Amount \$XXXX.XX
 Credit Access Line \$XX,XXX.XX
 Available Credit \$XX,XXX.XX
 Cash Access Line \$X,XXX.XX
 Opening/Closing Date MM/DD/YY-MM/DD/YY
 Days in Billing Cycle XX

5 REWARDS SUMMARY

Previous Rewards Balance XX,XXX
 Rewards Earned This Month X,XXX
 Bonus Rewards XXX
 Total Rewards Available XX,XXX

2 PAYMENT INFORMATION

New Balance \$XXXX.XX
 Minimum Payment Due \$XX.XX
 Payment Due Date MM/DD/YY
Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to \$39.00.
Minimum Payment Warning: If you make only the minimum payment each pay period, you will pay more in interest and it will take you longer to pay off your balance.
 For example:

If you make no additional charges using the card and each month you pay... Only the minimum payment	You will pay off the balance shown on this statement in about... X years	And you will end up paying an estimated total of... \$X,XXX.XX
\$XX	X years	\$X,XXX.XX (\$XX.XX in savings)

If you would like information about credit counselling services, please call 1-800-XXX-XXXX.

6 Important Changes to Your Account

A notice like this might appear on your statement if your card issuer is making changes that may affect your account.

7 Please detach and send the coupon with your check payable to Your Bank:

\$ Your Bank

XX
 Payment Due Date: MM/DD/YY
 New Balance: \$XXXX.XX
 Minimum Payment: \$XX.XX
 Account Number: XXXX XXXX XXXX XXXX

Customer Service: 1-800-XXX-XXXX

\$ _____ Amount Enclosed
 Mail to Your Bank at the address below:
 Your Bank
 P.O. Box XXXX
 City, State XXXXX-XXXX

Cardholder Name
 Cardholder Address
 City, State XXXXX-XXXX

XX

How your credit decisions can impact your credit score

[Credit Score Simulation](#)

[Credit Card Payoff Calculator](#)

