

KNOW BEFORE YOU GO

Building Good Credit

Being smart with your money is the key to being successful and living independently. Knowing how to handle your money doesn't come easy. You need to know some basics, so you can make good decisions when it comes to spending and saving what you earn.

Credit

Credit is more than just a plastic card. It is your financial future! Your credit score is a number from 300-850 and can affect your ability to do many things, such as buying a car or house, even getting a cell phone. The higher your credit score, the better. It shows that you are responsible with money and trustworthy. If you have a bad credit score, lenders and credit card companies may increase your interest rates and limit the amount of money you can borrow. A higher interest rate means you pay more for the item than you need to. A bad credit score may also worry many landlords about your ability to pay rent on time, which means they may not rent to you at all.



If you want to build or improve your credit score:

- Pay your bills on time (or early) every month. Late payments result in fees, while lowering your credit score.
- Keep the balance on your credit card low. If your credit card balance is getting too high, pay it off before spending more. Typically, you don't want a balance more than 50% of your credit limit. For instance, if your credit limit is \$500, try not to exceed \$250.
- Do not apply for credit cards you do not need. Every time you apply for a credit card your score goes down. Remember, the purpose of your credit card is to build your credit score. You may also need your card for emergency purposes.

Building and improving credit takes time. There is no quick fix for bad credit scores, so it is best to make responsible choices when using credit.

Financial management/budgeting

Living with a budget allows you to make the most of your money — you will get rid of wasteful spending and have more money to buy things that you really want.

Write it down!

The easiest way to stay on budget is to create one on your laptop or on paper. Start with the basics like rent, food, cell phone bill, savings, etc. Keep working on it until you have one that matches the amount of money you make. Then, write down a detailed list of all of your expenses as they come up so you don't spend more than you make.

Identify how much money you make each month

It is very important to know how much money you earn or receive every month. The most basic rule of making a budget is not spending more money than you make or you will fall behind with your bills and may begin to owe others.



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Keep track of your spending

Pay attention to where your money goes. Keep track of all spending, even small amounts.

From there, identify which items are “need items” (food, rent, basic clothing, gas, etc.) and which items are “want items” (movie tickets, sneakers, video games, magazines, etc.). “Need items” should always come before “want items.”

Consider a few things before you spend

- Take a small amount of cash with you. The less cash you carry, the less you can spend and the less you lose if you misplace your wallet.
- When you go shopping, make a list and do not buy anything not on your list.
- Always research before you buy something not on your list and if the item is more than \$50. If you wait a few hours or a few days, you may change your mind about buying it OR you may be able to find it somewhere for much less! Look at other stores or online.
- Consider buying a less expensive brand of the same product. For example, buying used items can save you a lot of money and they serve the same purpose. You can get used clothes, games, DVDs and music at second-hand or thrift stores.
- Consider the use of the product. If you only need to use it once or twice, borrow instead of buy. You may be able to borrow something from a friend, like a movie or video game, or you may even be able to find it at a library.
- You bought it, maintain it! Take care of your belongings so they last longer.

Importance of saving

Saving money may not be as much fun as spending money, but it is still important to do. Develop the habit of saving money now while you are young, so you have more money to spend on big things (like a house or new car) at a later time.

Small savings account can get big over time!

Even putting a small amount of money into a savings account every month will wind up to be a lot later! For example, putting \$20 in your savings account every month for 5 years adds up to \$1,200!

Set goals!

Saving money over time will help making large purchases easier. Instead of needing \$500 all at once for a television next year, plan to save \$50 a month for 10 months and then buy it. You will save yourself thousands in unneeded interest payments.

Cut back, not out!

If you are spending \$20 a week on snacks, try cutting back \$5 a week. After a year you'll have \$720 to put into your savings account. That much closer to a new computer or a down payment on a car!

For more information, visit kids-alliance.org or clccal.org.



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