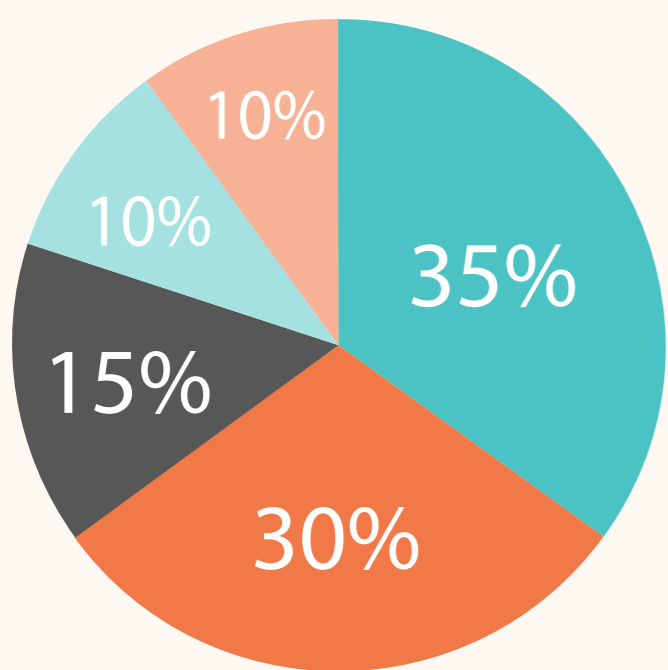


4 TIPS TO IMPROVE YOUR CREDIT SCORE

Your credit score affects more elements of your life than you may realize, like apartment rental opportunities, auto loan rates, bank account eligibility, insurance premiums, mortgage applications, and more.

But before taking steps to improve your credit, it's important to first know how your credit number is calculated. Here is how the FICO score, the most widely used credit standard, breaks it down:¹



35% —Payment History:

The biggest factor in your credit score is how often you've paid your previous credit account bills on time.

30% —Amount Owed:

The percentage of unpaid credit you currently have is used to determine your likelihood of missing future payments.

15% —Length of Credit History:

The longer your credit history, the more favorable your score.

10% —Credit Mix in Use:

Your credit mix includes your number of credit cards, mortgage loans, retail accounts, installment loans, and bank accounts.

10% —New Credit:

The more credit accounts you open within a short time frame, the greater your risk factor is determined to be.

While other credit score models don't follow this formula exactly, they're similar enough for you to safely base your credit improvement strategies on what FICO deems important.

But what can you do to improve your score?

Here are four tips.

TIP 1: Check Your Own Credit Report

There are three nationwide credit reporting companies: Equifax, Experian, and TransUnion. Thanks to the Fair and Accurate Credit Transactions Act, every American has the legal right to receive a free credit report from each of these companies once per year. Requests can be submitted via annualcreditreport.com.

Upon receiving your information, review it carefully to determine where you stand. If you notice a discrepancy, you have the legal right to dispute it. Be an advocate for your own credit—you're the only one who ever will.



TIP 2: Only Use 30% or Less of Your Available Monthly Credit Limit²

While good-intentioned people in your life may advise against obtaining a credit card for anything other than a last resort, having one or two open accounts is an easy way to build a solid credit history that lenders find appealing. An important tip many people overlook though is not to exceed 30% of your card's credit limit each month (some experts even put that number as low as 10%). The more available credit you use, the warier creditors will become of your spending habits.



TIP 3: Only Close a Credit Card Account If Absolutely Necessary³

Because of how credit scores are calculated, cancelling a card will mathematically drop the amount of available credit you have in your name. Since context and nuance are ignored in favor of pure numbers within credit bureaus, any reduction in your personal credit can count against you.



TIP 4: Pay Your Bills On Time¹

This may seem too obvious to mention, but it's not. Timely bill payments are the biggest contributor to good credit scores, and forgetting to pay a bill when it's due just once can have a negative impact. One of the easiest ways to avoid forgetting to pay a bill is to set up recurring online auto-payments through your bank.



The world of credit may seem complicated, but by implementing these tips, you can be confident you're heading toward a successful financial future.

¹ DeNicola, Louis; Frankel, Robin Saks. "What is a FICO Score and how is it calculated?" *USA Today*, 2023.

² "What is a credit utilization ratio?" *CapitalOne*, 2022.

³ McClanahan, Aja. "Should I Close My Credit Card Account if the Balance is \$0?" *Experian*, 2022.