Standard Bank

How to **use credit responsibly**

A practical guide to understanding credit, managing debt and spending wisely

Index

Introduction

Taking charge of **your financial future**

Welcome! By downloading this e-book, you've taken the first step towards taking charge of your financial future, and by the end of it, you'll be equipped with the knowledge and tools to help you achieve your financial goals.

In this practical guide to understanding and managing credit, we'll do the following:

- demystify credit
- provide you with the essential information to empower you to make informed decisions
- help you create a solid foundation to build a strong credit history

Meet Thembi

Thembi is a 26-year-old marketing manager working at a PR company. She is great at her job, loves exploring new restaurants and traveling, and has her sights set on an apartment close to work.

She's been diligently paying off her student loans and trying to save towards a down payment on a property, but the thought of navigating the world of credit cards and home loans feels a little daunting.

She knows that good credit is important, but sometimes it feels like a secret code she hasn't cracked yet. Ambitious and driven, Thembi is also realistic: she wants to enjoy her life now while still building a secure financial future.

Throughout this guide, we'll see how Thembi applies these concepts to her life and follow her journey as she goes from feeling overwhelmed to confident and in control of her finances.

Be clear on the reason you want debt, avoid using credit on non-essential, impulsive items or as an extension of your income. Treat credit as a means of accumulating wealth and assets, or to sustainably enhance your cashflow.

Choose the right credit products based on your need — do your research and shop around to ensure the cost of credit is appropriate for your need and ensure that credit repayments fit within your budget.

Pay your credit obligations on time and prioritise repaying outstanding balances whenever you can, this will lower the overall cost of fees and interest over time.

- **Zayne Cassim**
  Head of Credit, Standard Bank

Understanding credit

Making sense **of credit**

What is it, how does it work, and why is it important?

Credit isn't as complicated as you might think, but the amount of information out there and abstract concepts can make it daunting to navigate the credit system.

Credit is a financial tool that allows you to borrow money and pay it back later, allowing you to make purchases and investments without having immediate funds available. While this could open many doors, it's important to understand how it works so you won't get locked in a situation that negatively affects your financial wellbeing.

Let's explore the fundamentals of credit and why they matter.

Types of credit

What they are: Different forms of credit serve different purposes.

Why they matter: Choosing the right type of credit for your needs helps you manage debt effectively and avoid unnecessary costs.

Revolving credit

Offers you access to money up to your approved credit limit, letting you borrow what you need when you need it. Then repay over time and only pay interest on the outstanding balance.

Credit cards, retail cards, home equity lines of credit, overdrafts

Instalment credit

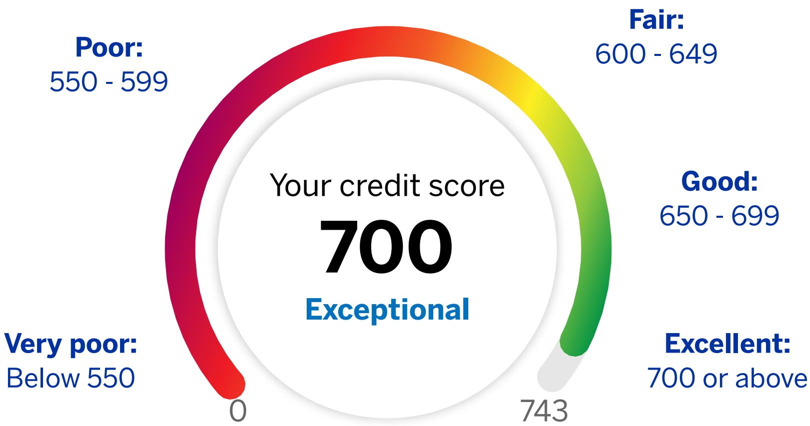
Involves borrowing a fixed amount of money and repaying it with interest in scheduled payments over a set period.

Home loans, vehicle loans, student loans, personal loans

Credit history, reports and scores

What they are: Your credit report summarises your credit history, a record of your borrowing and repayment activity (including loans, payments and debts). This history is used to calculate your credit score, a number that represents your creditworthiness. Your creditworthiness is a measure of how likely you are to repay borrowed money responsibly.

Why they matter: Lenders use them to assess your risk as a borrower. Higher scores generally mean better loan terms and lower interest rates. We'll explore this in more detail later on.



Loan terms and conditions

What they are: The details of your loan agreement, including loan amount, repayment period, interest rate, fees and any penalties for late payments or default.

Why they matter: Understanding the terms helps you budget for repayments and avoid unexpected costs. Shorter terms could mean higher monthly payments but less overall interest paid over the life of the loan.

Debt-to-income ratio (DTI)

What it is: The percentage of your gross monthly income (before deductions) that goes towards debt payments.

Why it matters: Lenders use DTI to assess your ability to repay a loan and your capacity to take on more debt. A lower DTI generally indicates lower risk and better loan approval chances.

Credit limits and utilisation

What they are: Credit limit is the maximum amount you can borrow. Credit utilisation is the percentage of your available credit you're currently using.

Why they matter: High credit utilisation can negatively impact your credit score because it suggests that you are over reliant on credit, increasing the risk of missed payments and potential difficulty managing finances. Keeping utilisation low demonstrates more responsible credit management.

Responsible credit habits

What they are: Practices such as making on-time payments, keeping credit card balances low and borrowing only what you can afford to repay.

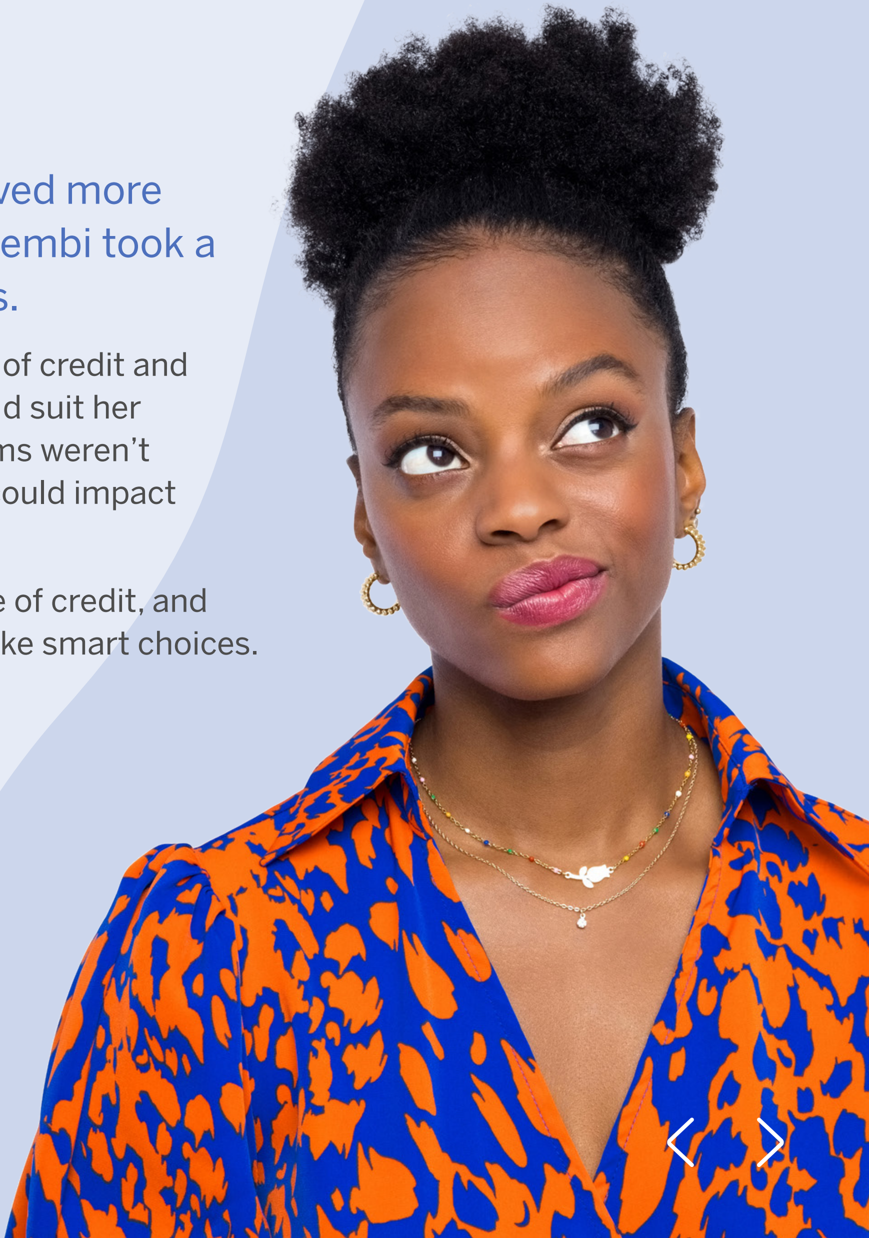
Why they matter: Building good credit habits is crucial for accessing favourable loan terms, saving money on interest and achieving financial goals.

Thembi's story

After learning that credit involved more than just borrowing money, Thembi took a closer look at her own finances.

She thought about the different types of credit and started thinking about which one would suit her needs. She also grasped that loan terms weren't just numbers but commitments that could impact her budget.

It was like finally learning the language of credit, and she felt much more empowered to make smart choices.



Key takeaway

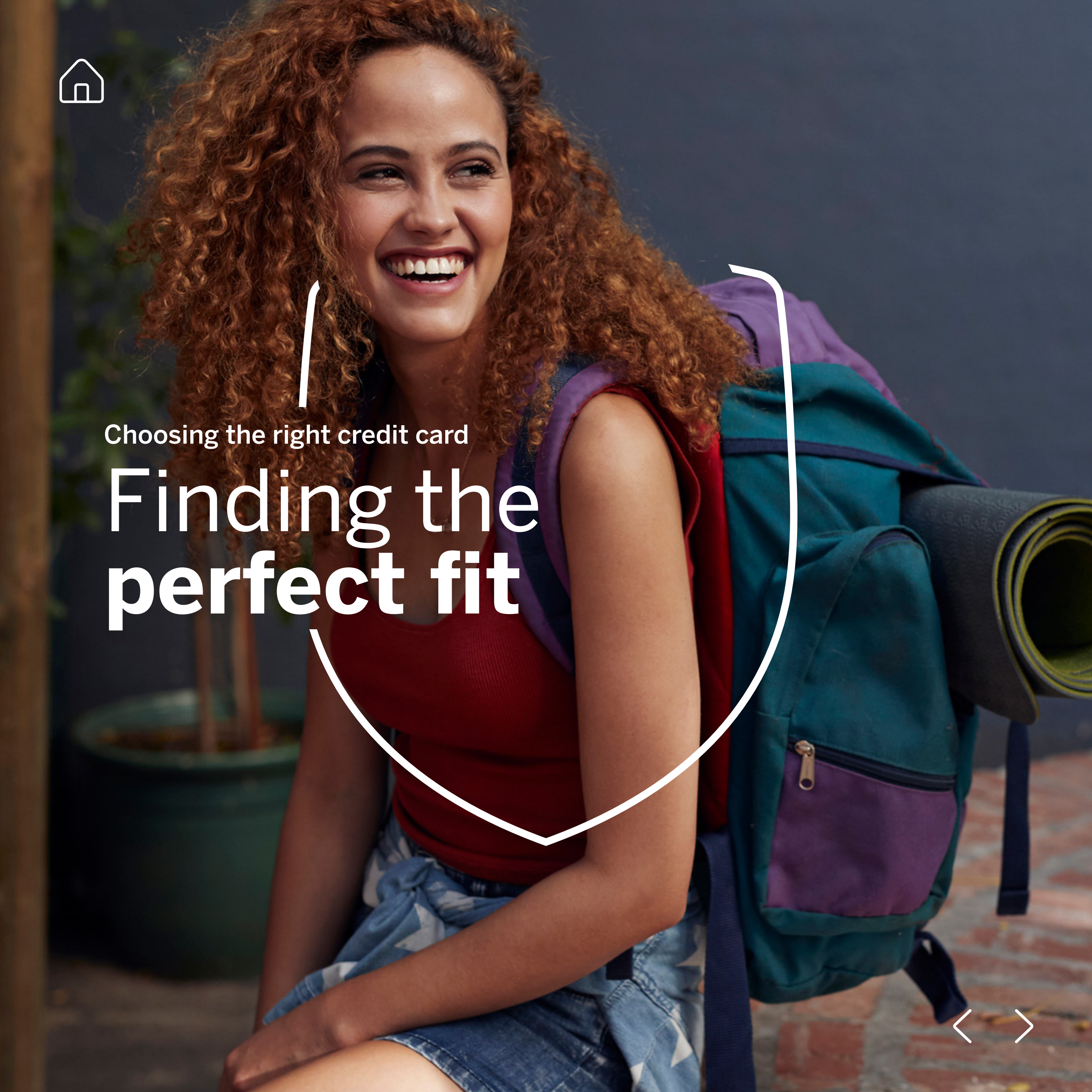
Use credit wisely by understanding its basics: types, scores, interest, and terms. This knowledge can empower you to borrow smartly, manage debt, and build a strong credit record for a better financial future.

What to do next

Dream big, plan smart: Thinking about your goals will help you choose the right credit options.

Know your options: There are different types of credit; learn about each one to see which fits your needs best.

Learn the lingo: Understanding key terms will help you make confident decisions.



Choosing the right credit card

Finding the **perfect fit**

You wouldn't buy the first pair of shoes you see without considering your style and needs, right? Choosing a credit card deserves the same thoughtful approach.

It's important to find the right fit for your spending habits and financial goals, and with so many credit card options with appealing possibilities on the market, you're spoiled for choice. However, that's exactly what can make it tricky to settle on the right one for you.

Here's a straightforward approach that you can use to decide whether a credit card suits your needs.

A common trap on credit cards is the belief that it can be treated as a substitute and/or complement to a loan. Credit cards have great benefits on interest-free periods and rewards, but these are best accessed when a credit card is not used as a loan.

Credit cards are best used for transactional needs only and settled in full every month, keeping the interest cost at zero and ensures that the use of the card is within your means.

- **Zayne Cassim**
  Head of Credit, Standard Bank

Step 1

Assess your spending habits

Before diving into credit card offers, understand how you spend your money and what you spend it on. By tracking your expenses and identifying your priorities, it enables you to choose the right card for your spending habits while being able to maximise the benefits/rewards and minimise costs.

For example, if you love to travel, using a travel rewards and benefits credit card can help you explore new destinations and enhance your travel experience. These cards offer benefits that can include discounts on airfare and accommodation, airport lounge access and travel insurance to make your trips more comfortable, convenient and cost-effective.

Step 2

Compare card types, perks and fees

Did you know?

With a Standard Bank Credit Card, you can enjoy 55-days interest free credit*.

*Terms and conditions apply.

You don't need to know everything about credit cards to choose one that fits your needs, but by looking at your spending habits and preferences and comparing those to your credit card options, you can start narrowing down your choices.

Cash back / Rewards credit cards	**Travel and lifestyle rewards cards**	**Low-interest rate cards**	**Store cards**
Low monthly fee, personalised interest	Medium to high monthly fee, personalised interest	Low monthly fee, personalised interest	High interest rates
• Potential to earn % back on purchases • Straightforward and flexible • Some lifestyle benefits	• Maximise rewards • Lifestyle, travel and insurance benefits • Loyalty features	• Basic credit facility access • Little to no features or benefits • Low interest, ideal for consolidating debt	• Discounts or rewards at specific retailers • Limited use outside specific retailers

Step 3

Weigh the fees against the value of the perks

Different cards come with different perks, but not all perks carry the same value. You need to weigh your priorities (e.g. earning rewards, paying low interest and managing spending) against what it will cost you to have access to those benefits and features.

Credit cards come at a cost, but they can also include a variety of fees that can feel like hidden costs. Understanding them is crucial for managing your finances wisely. **Some common credit card fees can include the following:**

- Annual/Monthly fees (service fees for having a credit card and accessing the benefits or features)
- Being charged for purchases, transactions and withdrawals

Tips to minimise credit card fees

Read the fine print

Carefully review the cardholder agreement before accepting a credit card to understand all fees and charges.

Pay your balance in full and on time

This is the most effective way to avoid interest charges.

Choose cards with low or no fees

Look for cards that waive annual fees or foreign transaction fees.

Make the most of your grace period

Pay your balance in full within the interest-free period to avoid interest charges on your purchases.

Step 4

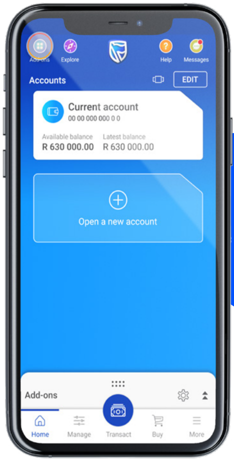
Check your credit score

Your credit score determines how appealing you are to lenders; it's a financial report card that tells them how responsible you are with borrowing and repaying money.

Having a good credit score could give you better credit options:

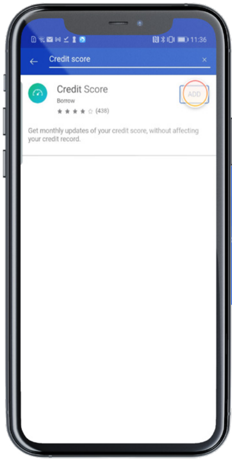
- Improving your odds of approval and access to a wider range of cards
- Paying lower interest charges, which makes accessing credit less expensive
- Improving your chances of qualifying for a higher credit limit, giving you greater purchasing power and flexibility
- Accessing cards with more premium benefits and features reserved for those with better credit

Use the Credit Score feature on the Standard Bank App to get monthly updates on your credit score without it affecting your credit record.



1

Open the **Add-on Store** on our Banking App home screen



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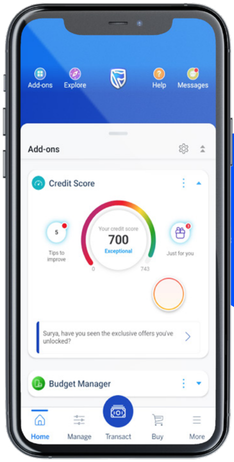
Add **'Credit Score'**



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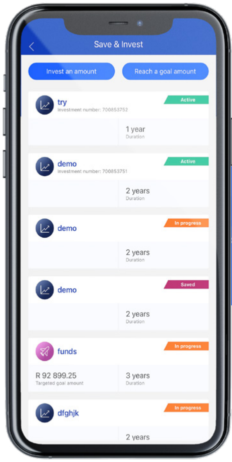
Pull up your **add-ons drawer** and scroll down to view your credit history



4

Tap on **'View all tips'** to see how to improve your credit score

Download on the App Store

GET IT ON Google Play

EXPLORE IT ON AppGallery

Make a smart choice

When comparing options and choosing a credit card, consider the following for each one:

- Monthly fee ✓
- Rewards programme ✓
- Features and benefits ✓
- Capitalise interest rate ✓
- Terms and conditions ✓
- Other fees and charges ✓

Thembi's story

With a newfound knowledge of credit under her belt, Thembi felt ready to find a card that worked for her. She knew she wanted a card that would reward her spending but wasn't sure which one was the right fit.

First, she took a closer look at her own spending habits to see where her money was going. Turns out, she spent a lot on dining out and travel. With that in mind, she started comparing cards, carefully weighing the rewards programmes and lifestyle benefits against the annual fees and interest rates. She even checked her credit score on the Standard Bank App.

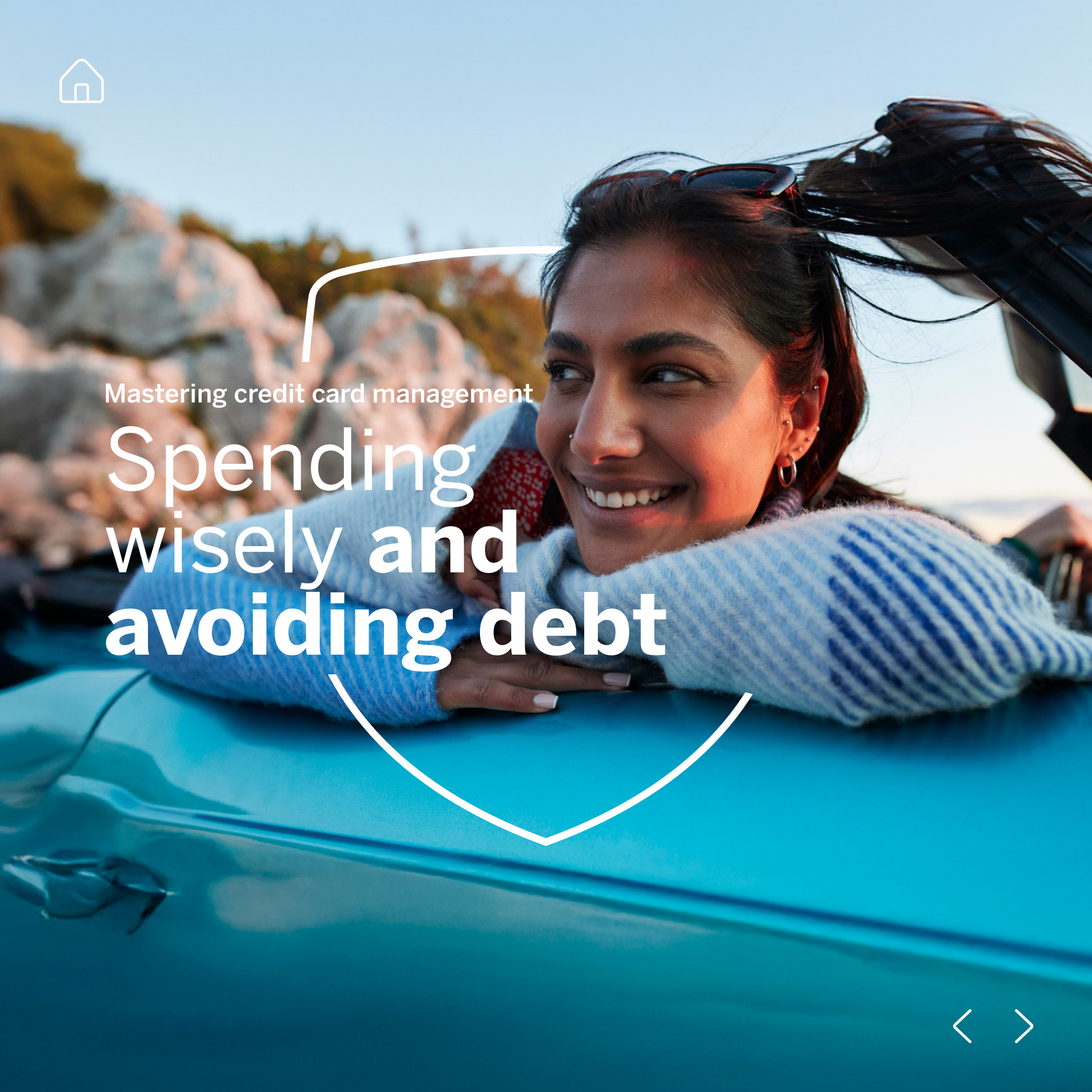
She realised that some cards offered great rewards but had high annual fees that would eat into her budget, meaning she'd likely end up spending more than what she'd get back. It took some research, but she felt good about choosing a card that would genuinely benefit her lifestyle.

Key takeaway

A good credit score unlocks better card options and lower interest rates, saving you money. By taking the time to find the right credit card, you can maximise rewards, minimise costs and build a strong financial foundation.

Put this knowledge to work

- ✓ **Know your spending:** Track your expenses to see where your money goes, and which card rewards your everyday purchases.
- ✓ **Compare cards like a pro:** Explore different types of cards and understand their perks and fees.
- ✓ **Check your credit score:** A good credit score opens doors to better cards with lower interest rates. Use our Standard Bank App to monitor your score.



Mastering credit card management

Spending wisely **and avoiding debt**

The best way to manage your credit responsibly is to ensure that a debit order on your credit repayments is established, and that this debit order is scheduled to run when you receive your salary.

This will remove the admin (and potential cost) of forgetting to make repayments.

- **Zayne Cassim**
Head of Credit, Standard Bank

Credit cards offer convenience, rewards and a safety net for emergencies, but they can quickly lead to debt piling up (and getting out of control) if not managed responsibly.

Debt itself isn't inherently bad; it can be a powerful tool for investment and growth. The problem arises when debt becomes unmanageable, leading to an inability to repay it and potentially causing financial strain. It's the inability to repay that debt that becomes concerning.

The key to mastering credit card management lies in **spending wisely and avoiding debt that you can't repay**. That's why it's important to include your credit card spending in your budget and use it specifically and strategically.

Living within your means

Think of your credit card as an extension of your existing funds, not as free money. Before swiping your card, ask yourself:

1. Is this a planned purchase? Impulse buys can derail even the most carefully crafted budget.

2. Can I afford to pay this off in full by the due date? Carrying a balance means you'll pay interest, which can quickly add up and be expensive to pay off.

3. Does this purchase align with my financial goals? Using your credit card to fund a vacation might sound appealing, but not if it jeopardises your savings goals.

How much of my credit card should I use?

Spending wisely and living within your means are like keeping your fuel tank at a safe level, not running on empty. Keeping your credit utilisation (how much credit you're using) at no more than 30% is ideal to help protect your credit and prevent financial strain.

The 30% rule

- Less likely to overspend
- Prevents financial strain
- More available credit = Bigger buffer for emergencies
- Keeps your credit score high.

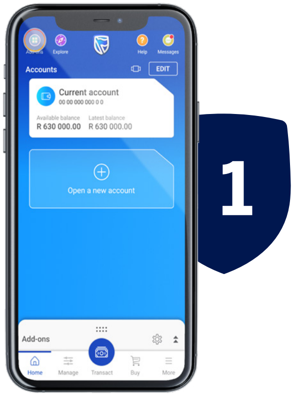
How to calculate credit utilisation

$$\left(\frac{\text{What you owe}}{\text{Your credit limit}}\right) \times 100 = \text{Credit utilisation ratio}$$

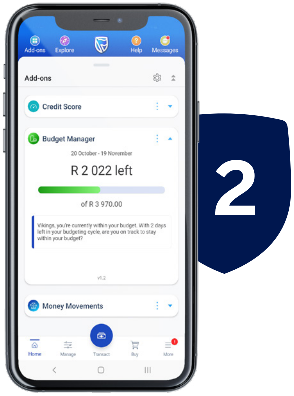
Strategic spending and avoiding pitfalls

1. **Track your spending:** use the budgeting features on the Standard Bank App and monitor your credit card purchases to ensure you stay within your allocated budget.

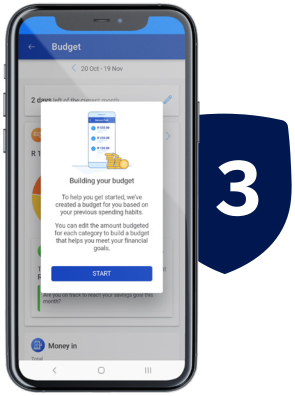
Here's how:



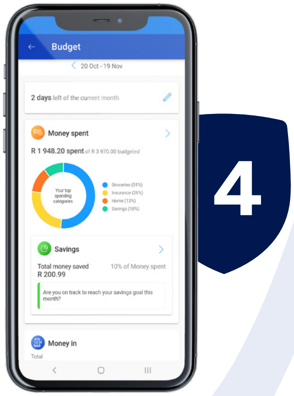
Open the **Add-on Store** on our Banking App home screen



Add **'Budget Manager'**



Tap **'Start'** to create a pre-populated budget and take the hassle out of starting from scratch



You'll now be able to view your **money spent** and **money in** and customise your budgeting period

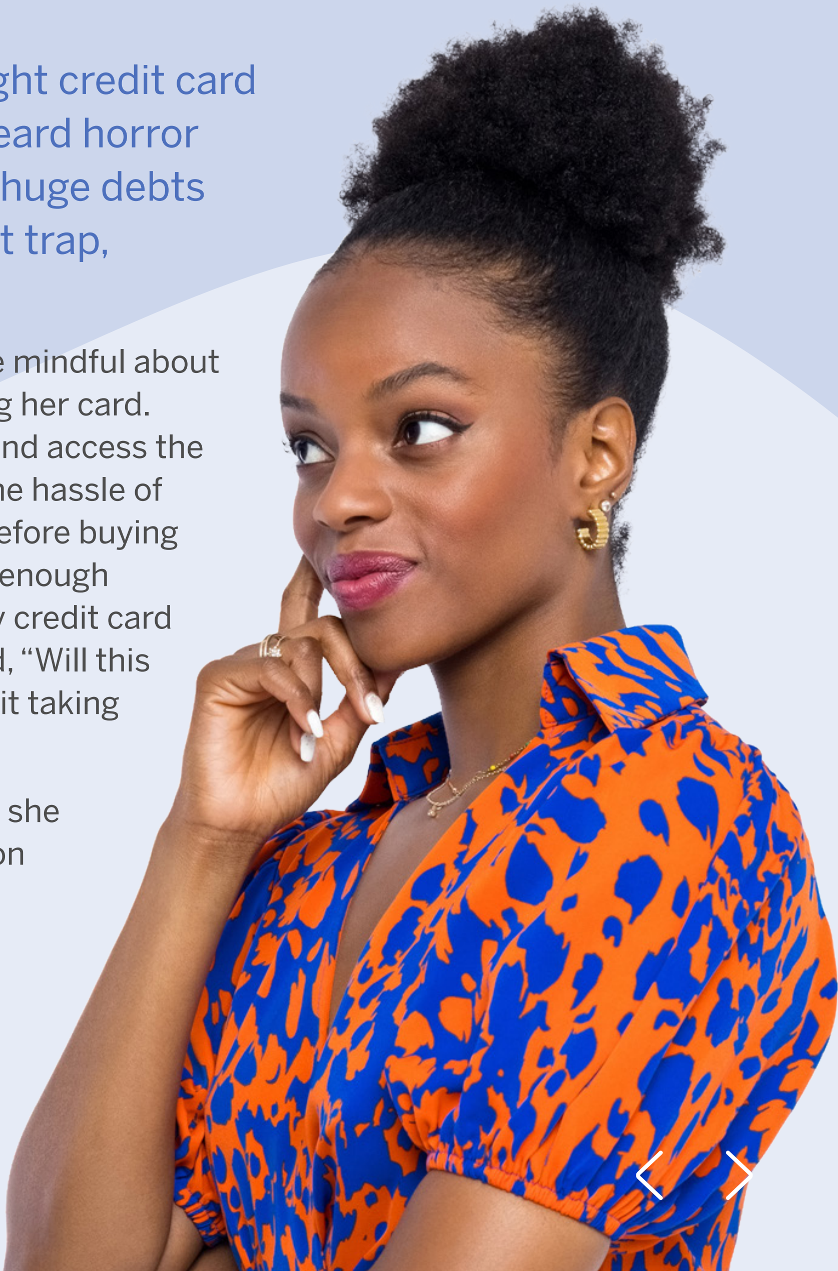
2. **Keep an eye on your credit limit:** the 30% utilisation ratio should be a spending limit, not a target.

Thembi's story

Thembi knew that getting the right credit card was only half the battle. She'd heard horror stories about people racking up huge debts and watched friends fall into that trap, struggling to pay them off.

She decided that she needed to be more mindful about her spending and intentional about using her card. She'd be smart about it, using it to pay and access the benefits and earn the rewards without the hassle of having to carry around cash. However, before buying something, she'd ask herself, "Do I have enough money to pay for this purchase when my credit card bill comes at the end of the month?" and, "Will this purchase truly add value to my life, or is it taking away from reaching my financial goals?"

Having also learned about the 30% rule, she started using the Budget Manager add-on on her Standard Bank App to make it easier to keep track of her spending, so she'd maintain a 'full tank', she thought, not 'running on fumes'.



Key takeaway

Credit cards offer convenience and rewards, but they can quickly lead to debt if you're not careful. The best approach is treating your credit card like an extension of your existing funds, not 'free money'.

Apply what you've learned

- ✓ **Think before you swipe:** Ask yourself whether a purchase is planned, affordable and aligned with your financial goals.
- ✓ **Stay below 30% credit utilisation:** Trying to keep your credit utilisation low helps protect your credit score and prevents overspending.
- ✓ **Track your spending:** Use the budgeting features on our Standard Bank App to monitor your spending and stay within your budget.

Building and maintaining good credit

Securing your **financial health**

Good credit isn't just a number; it's a passport to financial freedom. Whether you're starting from scratch or working to improve a limited credit history, this section will equip you with the knowledge and tools to build a strong credit profile and help you protect your financial wellbeing.

The 5 Cs of credit

Before diving into building credit, it's worth understanding how lenders evaluate your creditworthiness. The 5 Cs of credit show the potential of your creditworthiness to lenders, and while each lender has its own method and key considerations, they'll use the main principle behind the 5 Cs, which is to *gauge the risk of extending credit and at what price*.

Character: Your borrowing and repaying track record, showing how financially responsible and reliable you are

Capacity: Your ability to comfortably handle another payment based on your income and existing bills

Capital: Your assets (savings, investments and property) that create a financial safety net

Collateral: Assets pledged to secure a loan (e.g. house for a home loan), giving the lender a way to recover losses if you default on payments

Conditions: External factors that might affect your ability to repay, such as the economy or interest rates

Your checklist for building a solid credit score

UNDERSTAND YOUR CREDIT

- [ ] Obtain a copy of your credit report from a credit report agency, such as Experian or TransUnion. Or use the Credit Score feature on our Standard Bank App.
- [ ] Review your credit report for accuracy and dispute any errors.
- [ ] Understand your current credit score and identify areas for improvement.

RESPONSIBLE FINANCIAL BEHAVIOUR

Payments

- [ ] Set up automatic payments for all your credit accounts so you don't miss a payment and incur fees.
- [ ] Pay all bills on time, every time, even if it's just the minimum payment.
- [ ] Prioritise paying off debts with the highest interest rates as this is the most expensive debt.

Using credit

- [ ] Keep credit card balances below 30% of your credit limit. Lower is better.
- [ ] Pay off credit card balances in full whenever possible.
- [ ] Avoid maxing out credit cards.

Credit management

- [ ] Avoid opening too many new credit accounts in a short period.
- [ ] Only apply for credit when you need it.

OPTIONS TO BUILD CREDIT FROM SCRATCH

- [ ] Establish your credit journey with a credit card or personal loan.
- [ ] Use your credit responsibly and make timely payments.
- [ ] Pay rent, utilities and cellphone/data contracts to show responsible use.
- [ ] Be patient and consistent and practise responsible habits.

IMPROVING LIMITED CREDIT HISTORY

- [ ] Maintain consistent on-time payments for all credit accounts. Consistency will build a perception of reliability.
- [ ] Reduce outstanding balances and prioritise paying off existing debt.
- [ ] Avoid opening new credit accounts.

ONGOING MAINTENANCE

- [ ] Regularly check your credit report and score to track progress.
- [ ] Practise patience. Building good credit takes time and consistent effort.
- [ ] Speak to a qualified and registered financial advisor if needed.

Protecting your credit

We’ve highlighted that building and maintaining good credit is good for your financial wellbeing. However, your credit can be vulnerable to errors and fraud, which is why monitoring and being on the lookout for the following is necessary:

Incorrect personal information:

Your name, address, ID or birth might be listed or spelled incorrectly, which can cause problems

Wrong account details:

Incorrect balances, payment history (showing late payments when paid on time) or credit limits

Incorrect reporting of public records:

Bankruptcies, liens or judgements might be inaccurately reported or remain on your report longer than legally allowed

Duplicate accounts:

The same account listed multiple times, artificially inflating outstanding debt

Closed accounts reported as open:

An account you’ve closed might still be listed as open, which can affect your credit utilisation ratio

Accounts that don’t belong to you:

An account, such as credit cards, loans or utility accounts could be listed on your report, but you never opened it, potentially indicating identity theft

Protecting your credit is an ongoing process of vigilance and being proactive. Here's how to guard against the risks.

Monitor your credit

Detecting suspicious activity and inconsistencies early allows you to take immediate action if you suspect fraud related to your credit.

Credit monitoring tools such as the Credit Score add-on on our Standard Bank App, which gives you monthly updates of your credit score without affecting your credit record, help you stay informed about your credit activity and identify potential errors to give you peace of mind.

Credit disputes and error resolutions

Even with diligent monitoring and protections, mistakes happen, and errors on your credit report can still occur. Knowing how to dispute inaccuracies can help you resolve them quickly:

1. Obtain your credit report(s) from credit bureaus or on your Standard Bank App.

2. Review your reports carefully and identify inaccurate information, including incorrect personal information, account details or negative marks.

3. File a dispute by contacting the credit bureau directly through their website or by mail. Provide specific details about the error and supporting documentation (if applicable).

4. Follow up to monitor the progress. The credit bureau has 30 days to investigate and respond to your dispute.

Tips for effective disputes

Be thorough and accurate

Provide clear and concise information about the error.

Include supporting documentation

Provide copies of bills, statements or other relevant documents to support your claim.

Keep detailed records

Track all correspondence, dates and outcomes of your dispute.

Thembi's story

Once Thembi had a handle on her credit card and understood the value of building good credit to unlock future opportunities, she decided to focus on mastering the '5 Cs' to set herself up for future success and improve her chances of getting that apartment she'd been eyeing.

She also pulled her credit report on the Standard Bank App, thankfully finding no errors, but resolved to making it a habit to check her score regularly.

Key takeaway

Building good credit takes time and consistent effort, but the rewards are well worth it. By following a responsible financial path and protecting your credit from errors and fraud, you minimise financial risks and maximise your potential for achieving your goals.

From theory to practice

- ✓ **Understand your credit:** Get a copy of your credit report (from a credit bureau or using the Credit Score feature on our Standard Bank App).
- ✓ **Go through the checklist:** Follow the 'Your checklist for building a solid credit score' provided.
- ✓ **Protect your credit:** Regularly monitor your credit report for errors and fraudulent activity.

Credit and your future

Achieving **major life milestones**

Your credit score and history are like your financial reputation, affecting you in the now but also having a potential long-term impact on what you want to achieve in the future.

Your credit affects not only your ability to borrow but also you reaching other milestones, such as renting an apartment or landing that dream job

DID YOU KNOW?

That's why it's important to know what your credit says about you and keep it in good standing to make for not only easier borrowing but also moving out and moving up.

Here's a breakdown of how your credit can affect your milestones:

Job applications

- Shows financial responsibility
- Shows good judgement and accountability
- Smoother background checks
- Increased trustworthiness

Getting vehicle finance

- Secure the full loan amount / A more expensive, better car
- Qualify for lower interest rates
- Get more favourable loan terms
- A better price or financing options

Insurance premiums

- Pay lower premiums
- Get preferred rates and higher coverage limits
- Qualify for more policy options
- Easier approval

Renting an apartment

- Improve your chances of securing the apartment
- Pay a lower security deposit
- Negotiation power for lease terms
- Being considered for a wider selection of properties

Buying a property

- Secure a larger loan amount
- Qualify for lower interest rates
- Reduced monthly payments
- Saving thousands over the life of the loan

Shameful about credit? You're not alone

Many people find it uncomfortable to talk about money, even more so about debt. If a person has made mistakes, it can trigger feelings of shame, anxiety and failure. Whether it's struggling with credit card debt and student loans or not having a credit history and having to build it from scratch, there is a lot of secrecy and stigma when it comes to debt.

While credit can be a tool that empowers your goals, it's important that this number and the snapshot of your financial life (past and present) do not define you and your worth.

The good news is that there is a lot you can do to move forward. With the right support, an open outlook and some practical steps, you can set yourself on a better course.

Credit shame and anxiety is common and if ignored and left untreated, it can have a significant impact on your mental and emotional health, as well as hindering personal relationships, future job prospects and access to credit.

Proactively engage your credit provider and tackle your credit situation head-on to reduce the long-term financial, mental, and emotional costs. Credit providers are willing to work with proactive clients who want to remedy their credit situation.

- **Zayne Cassim**
  Head of Credit, Standard Bank

How to tackle debt and build your credit score

Acknowledge it and reach out

Don't let shame hold you back. Acknowledge your feelings, confide in someone you trust and speak to a financial advisor to help you.

Budget for success

Create a realistic budget that puts you in control by creating a structure for paying off debt while still allowing for essential needs and some fun.

Explore your options

Don't feel trapped. Research debt management tools such as consolidation or balance transfers. There are resources to help you manage and reduce debt effectively.

Prioritise and pay off

Pay off high-interest debts first to get rid of their costly charges faster. At the same time, make minimum payments on all other debts and maintain a positive payment history.

Celebrate small wins

Focus on progress, not perfection. Find satisfaction in each on-time payment and take a moment to appreciate the hard work to pay off each debt. These small victories build momentum and confidence to keep going.

A strategic approach to debt

Debt is often perceived as a bad thing and a burden, but when used responsibly and purposefully, it can be a strategic tool for achieving your goals.

Think of debt and how you use it as a lever that can lift you up or push you down: if you use it sensibly and skilfully, it can help you build something incredible, whereas overextending yourself can cause damage and prevent you from reaching the financial future you dream of.

Leveraging debt for growth

Education

Student loans can be an investment in your future earning potential. Higher education can open doors to new opportunities and career paths, which could lead to increased earning potential that might enable you to repay the loan easier and build wealth over time.

Note: choose your education path wisely and focus on fields with strong job prospects and earning potential.

Homeownership

Home loans allow individuals and families to purchase property. The value of a home can grow and build equity, which you can access to reach other financial goals. A property can also generate rental income, which can further enhance your financial standing and stability over time.

Note: careful research into the property and area, responsible borrowing and long-term planning are essential for successful real estate investment.

Entrepreneurship

Starting a business often requires capital. Taking on debt, whether through lines of credit, such as a personal loan, can provide the necessary funds to launch your venture and turn your entrepreneurial dreams into a reality.

Note: know what you're borrowing for and why. A well-structured and strategic business plan and responsible debt management are crucial.

Get savvy about your credit use and debt

Not all debt is created equal. The key to leveraging debt effectively lies in responsible borrowing practices:

Responsible borrowing habits

Borrow only what you need

Carefully consider your needs and avoid taking on more debt than you can comfortably manage.

Understand the terms

Before taking on any debt, thoroughly review the interest rates, repayment terms and any associated fees.

Create a realistic repayment plan

Factor debt repayment into your budget and ensure you can comfortably make payments on time.

Build good credit habits

Responsible debt management can help you build a positive credit history, opening doors to better loan terms and financial opportunities.

Thembi's story

Even with her credit card under control and understanding more about how credit works, Thembi still felt a twinge of shame when she thought about her student loan. She knew she wasn't alone: so many people feel uncomfortable talking about money, especially debt.

By creating a realistic budget and practising responsible borrowing habits, she got to enjoy life while being able to pay off her debt, which made her feel at ease and in control of her financial health.

Thembi also reframed debt, seeing it as a tool for growth. Her student loan was an investment in her future, and her consistency and diligence in paying it off meant that soon she could start preparing for a home loan for that apartment. Realising that credit wasn't something to be feared, she had more confidence to use it wisely and responsibly to empower her to achieve her financial goals and build the life she wanted.

Key takeaway

Building and maintaining good credit are an investment in your future that can open doors to opportunities and help you achieve your life goals, from homeownership to career advancement, by unlocking opportunities and saving you money along the way.

Your credit action plan

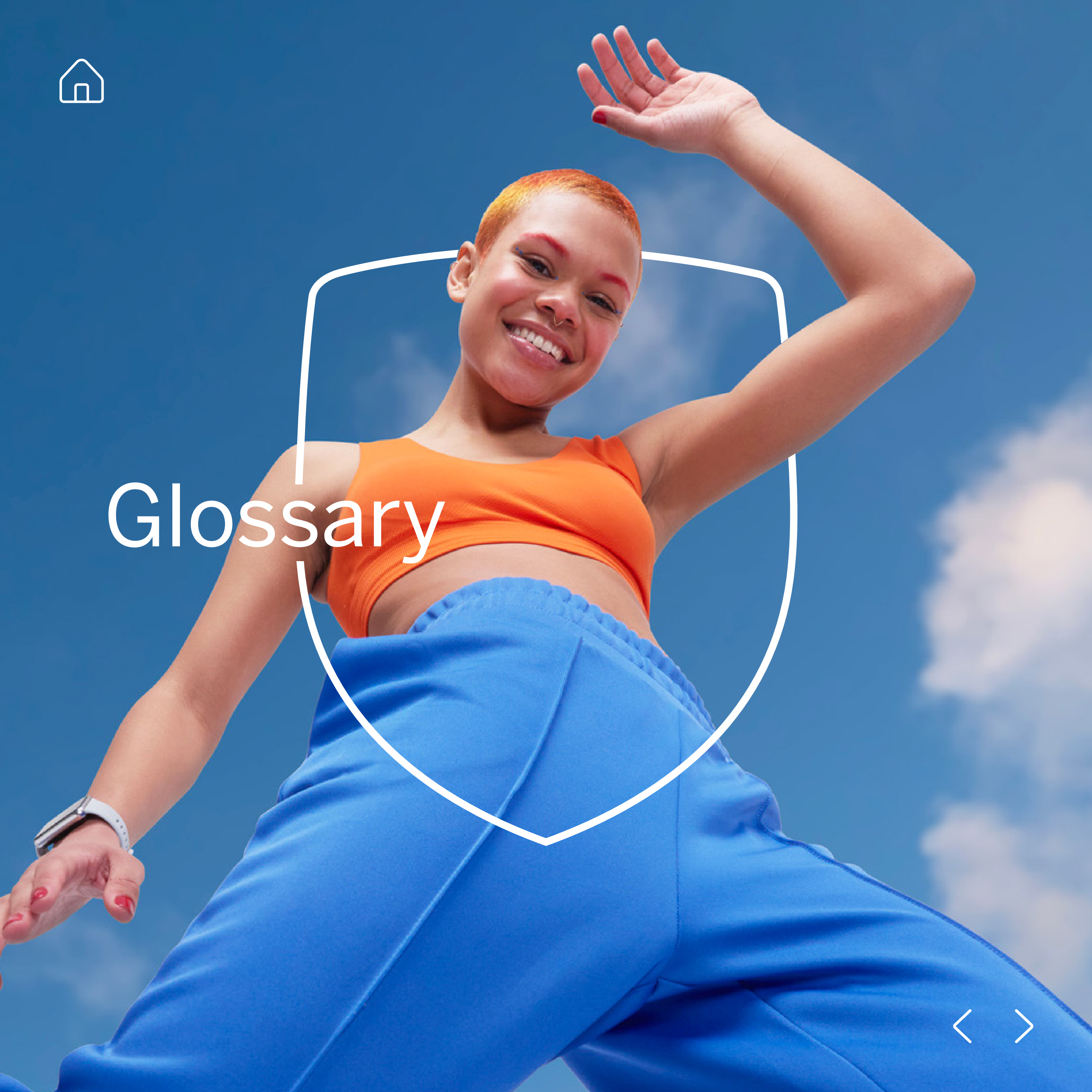
- **Embrace a fresh start and get savvy:** Acknowledge your feelings and reach out if you need help or support. Then create a realistic budget.
- **Identify and research your goals:** Which life milestones are most important and what are the credit score and financial requirements for them?
- **Prioritise proactive credit building:** Pay off debt, pay bills on time, set up automatic payments or avoiding new credit applications.

Next steps

Now that you've learned how to use credit responsibly, you're ready to move on to the next level of financial health: mastering the art of saving.

Download the next e-book in our collection:
Savings strategies for beginners and learn how to save effectively to reach your financial goals faster.

Learn more



Glossary

Glossary

A

- **Assets:** Items of economic value that an individual or business owns, such as cash, investments, property, and vehicles.

B

- **Balance transfer:** Moving outstanding debt from one credit card to another, often to take advantage of lower interest rates or promotional offers.
- **Borrower:** An individual or entity that borrows money from a lender, agreeing to repay the principal plus interest according to the terms of the loan agreement.
- **Budget:** A plan for managing income and expenses, helping individuals track their spending and achieve financial goals.

C

- **Capital:** Capital refers to the borrower's assets. Lenders consider capital as a measure of the borrower's financial stability and ability to repay debt even if their income is disrupted.
- **Collateral:** An asset that a borrower pledges as security for a loan. If the borrower defaults on the loan, the lender can seize the collateral to recoup their losses.
- **Credit:** A financial tool that allows individuals to borrow money with the agreement to repay it later, often with interest.

- **Credit history:** A record of an individual's borrowing and repayment activity, including loans, credit card payments, and any instances of late or missed payments.
- **Credit limit:** The maximum amount of money a borrower can charge on a credit card or borrow through a line of credit.
- **Credit report:** A detailed summary of an individual's credit history, compiled by credit bureaus and used by lenders to assess creditworthiness.
- **Credit score:** A numerical representation of an individual's creditworthiness, calculated based on information in their credit report.
- **Credit utilisation ratio:** The percentage of available credit that a borrower is currently using.
- **Creditworthiness:** A measure of how likely a borrower is to repay borrowed money responsibly, based on their credit history and other financial factors.

D

- **Debt:** Money owed to another party. It can take various forms, including loans, credit card balances, and mortgages.
- **Debt-to-Income Ratio (DTI):** The percentage of a borrower's gross monthly income that goes towards debt payments. A lower DTI generally indicates lower risk for lenders.

- **Debt management:** The process of effectively handling and controlling debt. This can involve strategies such as budgeting, creating a repayment plan, consolidating debts, or seeking professional guidance from a credit counselor. The goal of debt management is to reduce debt and improve financial stability.
- **Default:** Failure to repay a loan or credit card balance according to the agreed-upon terms.

I

- **Interest:** The cost of borrowing money, expressed as a percentage of the principal amount.
- **Interest rate:** The percentage charged by a lender for borrowing money.

L

- **Lien:** A legal claim against an asset, such as property, used as collateral to secure a debt. If the debt is not repaid, the lender can seize the asset.
- **Loan:** A sum of money borrowed from a lender with the agreement to repay it, typically with interest, over a specified period. Loans can be secured (backed by collateral) or unsecured.
- **Loan terms:** The specific details of a loan agreement, including the loan amount, repayment period, interest rate, fees, and any penalties for late payments or default agreed to the lender and the borrower.

R

- **Revolving credit:** A type of credit that allows borrowers to access funds up to a pre-approved credit limit, repay the borrowed amount over time, and pay interest only on the outstanding balance.
- **Rewards programme:** A loyalty program offered by credit card companies, retailers, or other businesses that provides incentives, such as cashback, points, or discounts, to customers for making purchases or using their services.

S

- **Security deposit:** A sum of money paid by a tenant to a landlord at the beginning of a lease agreement. It serves as protection for the landlord against potential damages to the property or unpaid rent. The deposit is typically returned to the tenant at the end of the lease, provided the terms of the agreement have been met.

For more information and explanations of financial language and terminology, visit the expanded glossary on our website.

Learn more