

Consumers are bombarded with credit card offers. Fees and disclosure statements are often complex. When managed wisely, credit can have advantages. It's convenient. Building a good credit score helps you get the best interest rates on a home mortgage or other loan. However, using credit can have drawbacks. Interest, fees and penalties add to the cost of items. Credit can tempt you to overbuy or buy on impulse. Overspending can lead to financial stress and financial instability. Keep these tips in mind to use credit wisely:

1. Shop for the lowest interest rate. Carefully read all information about fees and disclosure. Interest adds to the amount you'll ultimately pay for an item and it continues to accumulate over time. Low interest rates are especially important if you plan to carry a balance from month to month.
2. Pay bills on time. Payment history is a critical factor for a credit score. Late payments lower your score. Make regular on-time payments to build a high credit score.
3. Pay more than the minimum. Making only the minimum payment every month extends the amount of time it takes to pay off the balance and increases the amount you pay in interest. Your monthly statement shows how long it would take to pay off the debt if you made only the minimum payment and how much you would need to pay to pay it off in three years. You'll also see how much interest you can save with an earlier pay off.
4. Keep balances low. One component of a credit score is the amount owed to available credit ratio. Your credit score will be higher if you don't keep your cards maxed out. Develop a plan to pay down credit card debt. Use the free, secure calculator at <https://powerpay.org>. Experts recommend that consumers keep debt to no more than 15% of income (not including your mortgage).
5. Keep a close eye on credit. Check statements regularly to make sure expenses match your records. Check your free credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com). You're entitled to a free annual report from each of the 3 bureaus. Check one every four months to monitor credit throughout the year. Look for errors or suspicious charges. Understand credit scores. The most common range is 700-850. Scores above 700 are usually considered good.

For more tips, visit [www.uaex.edu/money](http://www.uaex.edu/money) or contact your local, county office. The Cooperative Extension Service is your source for reliable information. We nourish individuals, families, and communities by connecting trusted research to the adoption of best practices. We are a catalyst of prosperity for Arkansans.

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