Getting Your Financial House in Order: Managing Credit and Debt – Video Transcript

Managing credit and debt is key to growing financially.

Credit is the ability to borrow. For example, a credit card's credit limit is the maximum you can borrow on that card.

Debt is money you owe, whether due now or at some point in the future.

When you make a purchase with a credit card you take on debt, and reduce your available credit.

Lenders use a credit score to help decide whether to extend credit, and at what terms.

A credit score is a three-digit numeric representation of your creditworthiness, based on information from your credit files.

Three major national credit bureaus maintain consumer credit files and generate credit scores, providing that information to lenders when you apply for a loan or credit card.

FICO is the most commonly used credit scoring system.

FICO scores are based on your credit history: about 35% on payment history, 30% on amounts owed, 15% on length of credit history, 10% on new credit, and 10% on credit mix.

You can help improve your credit score by paying bills on time and paying down debt.

Managing credit and debt can help you improve your financial future.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.