MoneySKILL® Myth Breakers

MYTH	REALITY
A lot of money = a good credit score.	**Neither your income nor the amount of money you have in the bank has a direct effect on your credit score.** Of greater importance is whether you pay your bills on time, even if you pay only the minimum amount due. If you are late paying your bills, your score will go down. The longer your bills go unpaid, the lower your credit score is likely to go.

MYTH	REALITY
A bad credit score is the end of the world.	**False. A low credit score means you will have to pay more interest when you borrow money.** But you can raise your credit score. By paying your bills on time (more than the minimum due, if possible) and reducing your debt, you can slowly but surely improve your credit score and become more financially stable. Two other tips: Try not to open a lot of new accounts in a short period of time, and try to pay off your credit card debt rather than moving it around to other cards. If you have multiple credit card accounts open and you want to close one or more, be sure to look at your overall financial situation before doing so.

MYTH	REALITY
All debt is bad.	**Credit can be very useful if managed correctly.** A good example is when you borrow money for something that will increase in value (such as a house). Loans you pay off monthly over time, like mortgages or car loans are considered "good debt" because they allow you to budget for the monthly expenses and build a history of paying bills on time. That payment record can improve your credit score, in contrast to unsecured loans like credit card debt, which can spin your monthly expenses out of control. If you can't afford to pay these bills, you can end up paying higher and higher rates of interest, which can help ruin your credit. The important thing is to make sure you will be able to make all of your payments on time and in full before you take out any kind of loan.

For more myths vs. realities, please visit

www.afsaef.org/MoneySKILL/Myth-Breakers

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