

# **MONEY MANAGEMENT WORKSHOPS: CREDIT**

*Presented by*



**CHESTERMERE**

# Credit



Please complete the accompanying worksheet (labeled Credit PM) as you go through the slideshow. The headers in this slideshow correspond to the sections in the worksheet.



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# What is Credit

- Credit is a tool: a method of payment which allows you to purchase goods and services today and then pay for them later
- “Debt” is interchangeable with the word “credit”
- Credit can be:
  - Unsecured
  - Secured



# Why Do I Need Credit?

- Credit may assist you in reaching your goals.
- Credit is neither good nor bad. It all depends on how you use it.
- Credit has a lot of benefits but can also be quite dangerous if not used responsibly



# Importance of Credit

- Credit History
  - Personal information
  - Credit information
  - Banking information
  - Credit report inquiries
  - Public record information
  - Consumer statement



# Credit Reports

Pages 4 & 5

- Credit Reports
  - Sums up your credit history and is included in the calculation of your credit score
  - Each credit bureau has slightly different ID requirements
  - There are two credit bureaus in Canada:
    - *Equifax Canada Inc. and TransUnion Canada Inc.*



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# Credit Score

- Measures the risk you pose to lenders, compared with other people
- Scale ranges from 300 to 900
  - Above 720 is considered “good credit”
  - Below 600 is considered to be poor
- Credit scoring awards points for each factor that helps predict who is most likely to repay a debt.
- Must be over 18 to be eligible for credit
- Correcting your credit score



# Applying for Credit

- Be prepared to show you can pay your debts on time
- Creditors want to be sure you can afford to pay back what you owe, on time
- Creditors look at:
  - Payment history
  - Amount you owe
  - Length of credit history
  - Your new credit
  - Types of credit you use
- 3 Cs of Credit – Capacity, Collateral (Capital), Character





# Types of Credit

Pages 8 - 12

- Know your credit options
  - Revolving credit
  - Installment credit
  - Open credit
- Tips for using your credit card
- Minimum payments
- Revolving credit
- Installment credit



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# High-Cost Credit

Pages 13 - 15

- Finance companies
- Payday Loans
- Building your Credit History



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# Getting Help With Your Debt

Pages 16 – 18

- Finance companies
- Payday Loans
- Building your Credit History



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# What Can Creditors Do

- Finance companies
- Payday Loans
- Building your Credit History



# Resources

## Online:

- *Better Business Bureau. [www.bbb.org](http://www.bbb.org)*
- *Canadian consumer information gateway. [www.consumerinformation.ca](http://www.consumerinformation.ca) (Information on consumer complaints, identity theft and spam).*
- *Consumer Affairs - Industry Canada <http://consumer.ic.gc.ca>*
- *Consumer's Association of Canada [www.consumer.ca](http://www.consumer.ca) Consumer reports. [www.consumerreports.org](http://www.consumerreports.org)*
- *Financial Consumer Agency of Canada [www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)*
- *Health Canada [www.hc-sc.gc.ca](http://www.hc-sc.gc.ca)*
- *Media Awareness Network [www.media-awareness.ca](http://www.media-awareness.ca)*
- *Service Alberta [www.servicealberta.ca](http://www.servicealberta.ca)*

## Books:

- *Secrets of Simplicity – Mary Carolmagno, 2008*
- *The Simplicity Reader: (others on this topic)*
- *Voluntary simplicity: 2<sup>nd</sup> edition – Duane Elgin, 2009*
- *Your money or your life: Transforming your relationship with money and achieving financial independence – Joe Dominguez and Vicki robin, 1999*



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