



## CREDIT AND DEBT

### Credit: The Basics

When I graduated from university my first job was as a bill collector. I worked for a company that charged high interest rates on short term loans. The typical customer was someone who didn't qualify for financing from a more traditional lending institution like a bank. It was a fantastic first job to say the least. I learned a lot about human behaviour, how to communicate and most importantly, I learned a lot about credit - especially credit cards.

- **If you have credit cards, a mortgage or a loan you most likely have a credit score.**
  - Your credit score is a number that lenders use to decide whether or not to give you credit.
  - A credit report, or a record of how you manage your credit obligations, is used to calculate your credit score.
- **Credit isn't a cash or a cash substitute.**
  - Credit cards generally have a grace period of 21 days. If you don't have the money to pay in cash will you have the money in 21 days?
  - Before using a credit card ask yourself *"Do I Really Need It?"*
- **Having good credit is important.**
  - Credit scores are used for more than just applying for credit cards. You need credit for buying or renting a home, getting a new job, getting a cell phone or other utility services.
- **Good credit doesn't happen overnight.**
  - Here are a few ways to build your credit rating.
    - Pay your bills on time.
    - Make at least the minimum payment if you can't pay the full amount that you owe.
    - Contact the lender right away if you think you'll have trouble paying a bill.
    - Don't skip a payment even if a bill is in dispute.
    - Use different types of credit (such as a credit card, a car loan or a line of credit) but make sure you can pay back any money you borrow.
- **There's no one size-fits all credit card.**
  - Read the credit card agreement before you apply.
  - Ask lots of questions - talk to your bank to find the credit card that makes the most sense for you.
- **Debt can happen to anyone.**
  - Unforeseen events can cause debt. You need a safety cushion in the form of a savings account to deal with the unexpected.
- **Creditors and lenders share information - for a long time.**
  - Positive credit information, like information about paid accounts, may stay on your credit report for up to twenty years.
  - Negative credit information is removed from your credit report after six years.<sup>1</sup>
- **You can get a copy of your credit report - and asking doesn't impact your credit score.**
  - Some inquiries may affect your overall credit score - but a personal inquiry will not.

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<sup>1</sup> Source: TransUnion

- Contact Equifax ([www.equifax.ca](http://www.equifax.ca)) 1 800 465-7166 or TransUnion ([www.transunion.ca](http://www.transunion.ca)) 1 866-525-0262 for more information.
- **It's possible to have too many credit cards?**
  - Every credit card is a new application for credit.
  - Too many applications could negatively affect your credit score.
- **Don't be afraid of credit.**
  - When used properly, credit can be a great tool.
  - Credit cards offer many benefits like:
    - Free financing for at least 21 day.
    - Help you build a good credit rating.
    - Extended warranties on goods and services.
    - Offer travel insurance for trips purchased using the credit card.
    - Offer purchase protection for goods purchased with the credit card. (Terms and conditions differ -s o check your coverage carefully).
    - Discounts on certain products.
    - Payment method that is widely accepted.
    - A way to track your spending.
    - Record of purchase dates.
    - Rewards - such as a cash value or points for goods, services or travel.
    - Make purchases on line or on the phone.
    - Fraud protection.
    - More secure than cash - reduced risk of loss or theft.
- **We can help!**
  - Let us know if you have any questions about credit. We would be happy to connect you with one of our fantastic CIBC banking partners.

Brenda Akins is an Investment Advisor with CIBC Wood Gundy in Calgary. The views of Brenda Akins do not necessarily reflect those of CIBC World Markets Inc. This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. CIBC and CIBC World Markets Inc., their affiliates, directors, officers and employees may buy, sell, or hold a position in securities of a company mentioned herein, its affiliates or subsidiaries, and may also perform financial advisory services, investment banking or other services for, or have lending or other credit relationships with the same. CIBC World Markets Inc. and its representatives will receive sales commissions and/or a spread between bid and ask prices if you purchase, sell or hold the securities referred to above. © CIBC World Markets Inc. 2019. Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors. If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor.