



Sphynx Financial

"Simply the Best"

## 5 Top Ways to Establish Credit

- **Open a checking account, savings account and/or debit card at your local bank.** You don't need to have a credit history to open these accounts making this an ideal step to begin to build your credit profile. Although opening these accounts is not reported to a credit bureau, having them will show potential creditors that you can manage money successfully.
- **Apply for a department store credit card and/or a gas card.** These cards are usually easier to obtain than a Master Card, Visa, Discover, or an American Express card. Make sure your store or gas company reports to a credit bureau so that your history of making timely payments on these cards will be reported.
- **After you have a record of successful payments on your store and gas cards, you can now apply for a Master Card, Visa, Discover, or American Express.** Again, make sure the creditor reports all activity to the credit bureaus. Remember you are establishing your credit history so charge wisely. Make sure you have the money to at least make the minimum payments on time. Missed payments or late fees will only hurt your credit history.
- **If you have been turned down for the above cards, you may try to obtain a secured credit card.** In order to do this, you need to deposit an amount of money into your bank account to secure the credit card. If you have a secured credit card with a limit of \$600, for example, this means you have deposited \$600. Now you can make purchases, pay the payments, and begin to establish a good payment history. (Again, make sure the creditor reports all your activity on this card to the credit bureaus.) Just remember, having a secured bank card allows the bank to take money from your account if you fail to make your payment. After you have built up a payment history on this card, you may want to ask the bank if it will switch to an unsecured credit card.
- **Another way to establish credit is to apply for an installment loan such as an automobile or furniture loan.** By paying your monthly loan installments on time you will again show you can repay debt and enhance your credit history. If you don't think you will qualify for this loan on your own, consider asking a parent or other relative to cosign the loan with you. Just make sure your name is on the loan and that you make the payments on time. Some parents will actually plan to make the payments themselves to help their adult children establish credit. Whatever is decided, make sure the loan gets paid or both you and your co-signer will have damaged credit.

Establishing credit will happen it just takes a little time. The most important thing to remember is to manage the credit wisely once you have it. Charge within your means, don't max out any of your cards, at least make the minimum payment each month and pay all your bills on time.

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