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Credit Strategies

Lilith Academy Workbook

Introduction

Welcome to Lilith Academy's Credit Strategies Workbook! In this booklet, you will discover tips and tricks for how to best manage your credit.

There isn't a clear-cut way for using credit cards. When purchasing a product with a credit card, a person must consider a variety of factors. They may ask themselves: which credit card will provide me with the largest reward? Am I using a travel or business credit card? How close am I to reaching my credit limit?

The reading material and quizzes in this workbook will prepare you with the knowledge that is necessary for handling your credit and building your financial wealth.



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Unique Uses for Credit Cards

You have several options for purchasing products. When using cash and debit cards, money transfers immediately from your pocket to the person who is selling the product. Alternatively, you can use a credit card to purchase the item, and all of the purchases accumulate into a single bill for you to pay at the end of your monthly payment period.

Certain credit card companies provide additional benefits for specific types of purchases. While one card gives you one percent **cash back** on your grocery purchases, another may offer three percent back. If you possess multiple credit cards, pay attention to the benefits of each card. Here are some types of purchases that can be purchased using a specific credit card:



Business-Related Expenses: When paying for purchases related to business or work, a person should use their business credit card. Business credit cards can offer better rewards and bonuses. Because the expenses won't show up on the person's personal credit report, the purchases won't affect their **credit utilization ratio**.

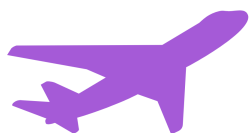
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Travel-Related Expenses: Flights, hotels, car rentals, and similar travel-related expenses can be purchased with a travel credit card. Travel credit cards often have high reward rates for certain types of spending, and if you use them strategically, you can earn maximum points and miles that will help to fund your next flight.



Rent and Mortgage: Some payment services provide financial benefits when you use their credit card to pay your rent or mortgage. While this can be a way to earn points, be wary of the service fee. If the rewarded points are worth higher than the service fee, then you will want to use the credit card to pay these monthly expenses.

Top 7 Credit Strategies

In addition to consciously choosing which credit card to use for specific purchases, there are a few tricks for using your credit card to save money.

When applying for a credit card...

1 – Reconsider Co-Signing. When you co-sign a credit card, you are sharing the responsibility of paying the monthly payment statements with another person. Co-signing can put your **credit score** at risk if the other person doesn't pay. It's often

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best to avoid co-signing unless you trust the other person to pay their share of the bill. This warning also applies to co-signing on a loan.

2 – Double-Dip Applications. Each new credit card results in a slight decrease in your credit score. If you wish to own multiple cards without the decrease with each card, then apply for two cards from the same **issuer** on the same day. The issuer may combine the hard inquiries into one, and as a result, reduce the impact of the new cards on your credit score. The success of this tip depends on the issuer.

When using your credit card...

3 – Maximize Reward Categories. Some credit cards offer rotating reward categories with changing amounts of cash back or points. To maximize your rewards, you have to opt-in on your credit card account to receive these rewards. Depending on the issuer, the rewards will change in percentage and category on a quarterly basis, and you should plan your spending to take advantage of the higher cash back rates.

4 – Maximize Shopping Rewards. When shopping online, use multiple cash back deals for a single transaction. By stacking up deals, such as retailer coupons, retailer deals, and credit card rewards, you can decrease the price of the purchase.

5 – Freeze Your Credit. If you are not planning on applying for a new credit or loan in the near future, then freeze your credit as a preventative measure against identity theft. By freezing your credit, you are blocking lenders from seeing your credit score, which

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prevents them from giving you (or someone who steals your identity) a new line of credit, such as a loan or card. To freeze and unfreeze your credit, you will have to tell all three major **credit bureaus**: Equifax, Experian, and TransUnion.

Research before you spend...

6 – Ask Issuers for More Benefits. If you have multiple credit cards from the same issuer, try asking for benefits like waived late fees, increased credit limits, or lower APRs. Depending on your credit score, the issuer may be willing to provide you with benefits.

7 – Double-Check Cards with No Preset Spending Limit (NPSL). NPSL cards do not report a credit limit, so your spending rate does not have the same point of comparison as other credit cards that have a credit limit. The lack of a limit, which serves as the comparison point, can confuse credit scoring algorithms. Research into how your card issuer reports your spending habits to the credit bureaus, and use this information to set your own spending limits.

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Paying Your Card Statements

At the end of your monthly period, the credit card issuer will send you a payment statement. This statement will contain the costs of every purchase you made with the credit card since the last statement. You will often have the option of paying the statement online or through the mail; no matter how you choose to pay, make sure that the payment is sent on time to avoid late fees.

Here are tips for maintaining a good credit score while paying the credit statements.

1 – Multiple Payment Dates

Use Multiple Payment Dates: Pay off your card multiple times per month to keep your balance low and potentially increase your credit score.

2 - Manipulate Statement Dates

Manipulate Statement Dates: Ask your card issuer to change your statement closing date to a time when your balance will be low.

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3 – Pay Early, Get Better Rates

Manipulate Credit Utilization Reporting: Some card issuers report your statement balance as your monthly utilization. By paying off your balance before the statement closing date, you can show a lower utilization rate.

4 – Make Use of Multiple Cards

Specialized Balance Transfer: Transfer a balance from a high-interest card to a card with a lower rate, then make a large purchase on the high-rate card and pay it off before the due date. This could result in negative utilization.

In addition... Cycle Your Credit Limit: If you can pay off your balance multiple times in a month, you can effectively spend more than your credit limit each month without paying over-limit fees or increasing your reported utilization.

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Fun Facts

1 – Get Rewards from Donating

Charity Chargebacks: If you have a rewards card and want to donate to charity, consider charging the donation and then paying off the card. This lets you contribute to a good cause and earn rewards. This strategy is about making charitable donations using a credit card that gives you cashback or rewards for your spending. If you're already planning to donate to charity, using your rewards card for the donation can help you accumulate more points or cash back.

2 – Let's Talk Credit Bureaus

Explore Lesser-Known Credit Bureaus: Most people know about Experian, Equifax, and TransUnion, but there are other credit reporting agencies like Innovis and LexisNexis. They don't contribute to your FICO score, but some lenders check these reports.

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Fast Facts – Credit Strategies Quiz

Multiple Choice:

1. What does freezing your credit prevent? a) Overspending b) Identity theft c) High interest rates d) Credit card offers
2. How can you maximize reward categories on credit cards? a) By freezing your credit b) By opting in every quarter c) By using payment services d) By stacking deals
3. What is the purpose of charity chargebacks? a) To earn rewards while donating b) To chargeback fraudulent transactions c) To increase credit utilization d) To pay off credit card debt
4. What does the strategy of stacking deals involve? a) Freezing credit b) Using multiple discounts and rewards c) Co-signing loans d) Manipulating statement dates
5. What is a potential risk of co-signing a loan? a) Earning maximum points b) Putting your credit at risk c) Maximizing reward categories d) Stacking deals

True/False: 6. T/F: You can pay rent or mortgage with some payment services to earn points. 7. T/F: Business credit cards show up on your personal credit report. 8. T/F: Double-dip applications can reduce the impact of hard inquiries on your credit score. 9. T/F: Cycling your credit limit can lead to over-limit fees. 10. T/F: Lesser-known credit bureaus like Innovis and LexisNexis contribute to your FICO score.

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Answers:

1. b) Identity theft
2. b) By opting in every quarter
3. a) To earn rewards while donating
4. b) Using multiple discounts and rewards
5. b) Putting your credit at risk
6. True
7. False
8. True
9. False
10. False

Answers Upside Down: 1. b. wlvayt; 2. b. wlvayt; 3. a. wlvayt; 4. b. wlvayt; 5. wlvayt; 6. @alse; 7. -true; 8. -true; 9. @alse; 10. False.