



Managing Your Finances

Five Terms to Improve Financial Literacy

(NAPS)—Money can be a stressor for many—but you don't have to be among them. Creating a game plan and understanding five key terms can help improve your financial health:

Credit Score

A credit score is a three-digit number that represents your general creditworthiness, calculated based on your personal financial history. Lenders use this number to assess your ability to repay a loan, establish your credit line and to determine your interest rate. A good credit score can help you save money on loans, credit cards and insurance, and can also make it easier to rent an apartment, buy a car or purchase a home.

Credit Cards:

General Purpose vs. Store Cards

Credit cards have become an indispensable part of financial life, with 82% of American adults—and nearly all people with incomes of \$100,000 or more—owning at least one credit card, according to 2022 data from the Federal Reserve. With the convenience, security and rewards that today's credit cards offer, many consumers now see the value in using multiple cards. Indeed, the average U.S. consumer has three to four credit cards, according to a 2021 report by Experian.

But credit cards are not all the same. General-purpose credit cards work at most locations in the world where credit is accepted and often come with rewards, promotional financing or introductory offers. However, an individual who is new to credit cards might need to build a credit history before being approved for a general-purpose card.

Many people start building their credit score with a store credit card, which can be used only at one specific store, or a group of stores, such as a furniture or department store. These cards are often available to those who have a lower credit score, limited or no credit history and can offer the chance to build good credit in a relatively short time. Store cards traditionally have lower credit limits, given you can only use them with that specific retailer, which also helps you manage your credit exposure. They may also offer low or no annual fees, which some traditional general-purpose credit cards charge, but sometimes higher annual percentage rates.

Synchrony is a premier consumer financial services company that has hundreds of thousands of partnerships with retailers offering store credit cards. "Our cards offer consumers financing with top



Your finances can be a credit to you, especially when you understand basic credit terms.

brands to bring them more choices, flexibility and convenience," said Max Axler, Chief Credit Officer at Synchrony. "Store credit cards are a powerful option to take advantage of special offers, promotional financing and perks while shopping at your favorite retailers."

Interest Rates

A credit card's interest rate is the amount you will be charged on your unpaid credit card balance that is due. The interest rate is calculated as a percentage of the outstanding balance. For example, if you charge \$1,000 on a credit card that does not have any outstanding balance and pay it off before the monthly due date, you typically won't incur any interest charge. You'd simply pay \$1,000, and the balance would be satisfied. However, if you didn't pay it all off—or paid any amount that was less than the full \$1,000—you would be charged interest based on your average daily balance.

Annual Percentage Rate (APR)

The yearly interest rate charged on your balance due is called the Annual Percentage Rate. You pay this interest rate on any balances not paid in full each month—in other words, if you don't pay your bill in full when it's due every month, the amount you do not pay is subject to interest. It's important to note that your credit card may have more than one APR: One rate for purchases, another for balance transfers and yet another for cash advances.

Understanding these terms can empower you to manage your finances in the best way to meet your needs and borrow responsibly, and properly managing your credit can lead to higher credit scores and more access to credit for your financial needs.

Learn More

For more information and to discover financing options to fit your lifestyle, visit www.synchrony.com.