IRON KING UNIVERSE / WEALTH EDUCATION

UNDERSTANDING CREDIT & DEBT

A practical guide to borrowing wisely, protecting your credit, and creating a stronger financial future.

KNOW THE TERMS. UNDERSTAND THE COST. TAKE CONTROL.

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This guide is designed for readers who want straightforward, actionable financial education. No perfect credit score is required to start making progress.

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1 | Credit and debt: what is the difference?

Credit is the ability to borrow money with an agreement to repay it. Debt is money you already owe. Credit can help you make important purchases or manage timing, but borrowing creates obligations and often interest costs.

Term	Plain-language meaning
Principal	The amount borrowed or the remaining loan balance before future interest.
Interest	The cost of borrowing money, often expressed as a percentage.
APR	Annual percentage rate; reflects interest and, for certain loans, applicable fees under required disclosure rules.
Minimum payment	The smallest required payment to keep a credit account current; paying only this can increase total interest and repayment time.
Credit limit	The maximum amount available to borrow on a revolving account.

2 | Credit report versus credit score

A credit report is a record of credit accounts, payment history, and certain other information. A credit score is a number calculated from credit-report data that estimates credit risk. You have multiple scores because scoring models and data sources vary.

Habits that commonly affect credit scores

- Pay on time. Late payments can be costly and may damage credit.
- Keep credit card balances low relative to limits. This is often called utilization.
- Borrow selectively. Multiple new applications can affect your scores.
- Review your credit reports. Errors can make your financial profile appear riskier than it is.

Many credit scores use a 300–850 range, but not all scoring models do. Avoid treating any single score as a complete measure of financial health.

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3 | How credit card interest can grow

A credit card lets you borrow up to a limit and repay over time. If you carry a balance, interest may add to what you owe, depending on your agreement and grace-period rules. Paying only the minimum can prolong the debt.

Illustrative example	Amount
Card balance	$2,000
APR	24% (example, not a market quote)
Approximate interest for one month at an unchanged balance	About $40 ($2,000 × 0.24 ÷ 12)

Actual credit card interest often uses daily balances and can differ from this simplified example. Paying the statement balance in full by the due date may avoid purchase interest when a grace period applies.

4 | Two common debt repayment approaches

Debt avalanche — prioritize higher interest rates

Pay required minimums on every account. Direct extra money toward the eligible debt with the highest interest rate. When paid off, redirect that extra payment to the next highest rate. This method generally reduces interest costs compared with paying equal extra amounts toward lower-rate debts, when other terms are equal.

Debt snowball — prioritize smaller balances

Pay required minimums on every account. Direct extra money toward the smallest balance first, then roll that payment toward the next smallest. This can build momentum as accounts are paid off, though total interest may be higher.

Which is right?

Choose the approach you can follow. If payments are unaffordable, contact creditors early to ask about hardship arrangements and consider reputable nonprofit credit counseling; avoid companies promising guaranteed debt elimination.

5 | Borrowing decisions: ask before you sign

- What is the total amount I will repay, including interest and fees?
- Is the rate fixed or variable? What could make my payment change?

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- What happens if I pay late or pay early?
- Can my monthly budget handle this payment alongside essentials and savings?

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6 | How to review and protect your credit

You can request credit reports through AnnualCreditReport.com, the federally authorized source for free reports from Equifax, Experian, and TransUnion. Availability and frequency of free reports can change; follow the current options shown on the official site.

What to look for

- Accounts you do not recognize or balances that appear incorrect.
- Payments marked late that you believe were made on time.
- Duplicate collection entries or inaccurate personal details.
- Credit inquiries you do not recognize.

If you find an error, dispute it with the credit reporting company and, where appropriate, the company that furnished the information. Keep copies of records supporting your dispute.

7 | Your 30-day credit and debt action plan

Week	Action
Week 1	List each debt: balance, APR, minimum payment, due date, and lender.
Week 2	Review your credit reports and dispute any documented errors.
Week 3	Build a realistic spending plan; consider autopay or reminders for minimum payments.
Week 4	Choose a debt payoff priority; schedule a regular review and track progress.

A budget is not a punishment. It is a way to give your priorities a place in your financial decisions.

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8 | Your personal debt snapshot

Use this worksheet to see the full picture. You can print it or make your own spreadsheet.

Account / lender	Balance	APR	Minimum / month
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Monthly action commitments

One bill I will put on automatic payment or set a reminder for: _____

One expense I will review or reduce: _____

Additional amount I can realistically apply to debt each month: $_____

My first goal for the next 30 days: _____

Trusted resources

Consumer Financial Protection Bureau (CFPB) — Credit scores, reports, and dispute guidance
consumerfinance.gov/consumer-tools/credit-reports-and-scores/

Annual Credit Report — Official free credit-report request site
annualcreditreport.com

CFPB: Understand your credit score
consumerfinance.gov — Understanding credit scores

A final word

Credit can be a tool, but debt needs a plan. Learn the terms, know the total cost, protect your payment history, and make steady progress—one informed decision at a time.

Educational disclaimer: This publication is general financial education, not individualized financial, tax, or legal advice. Laws, reporting practices, account terms, and credit models can change. Consult an appropriately qualified professional for advice specific to your situation.