

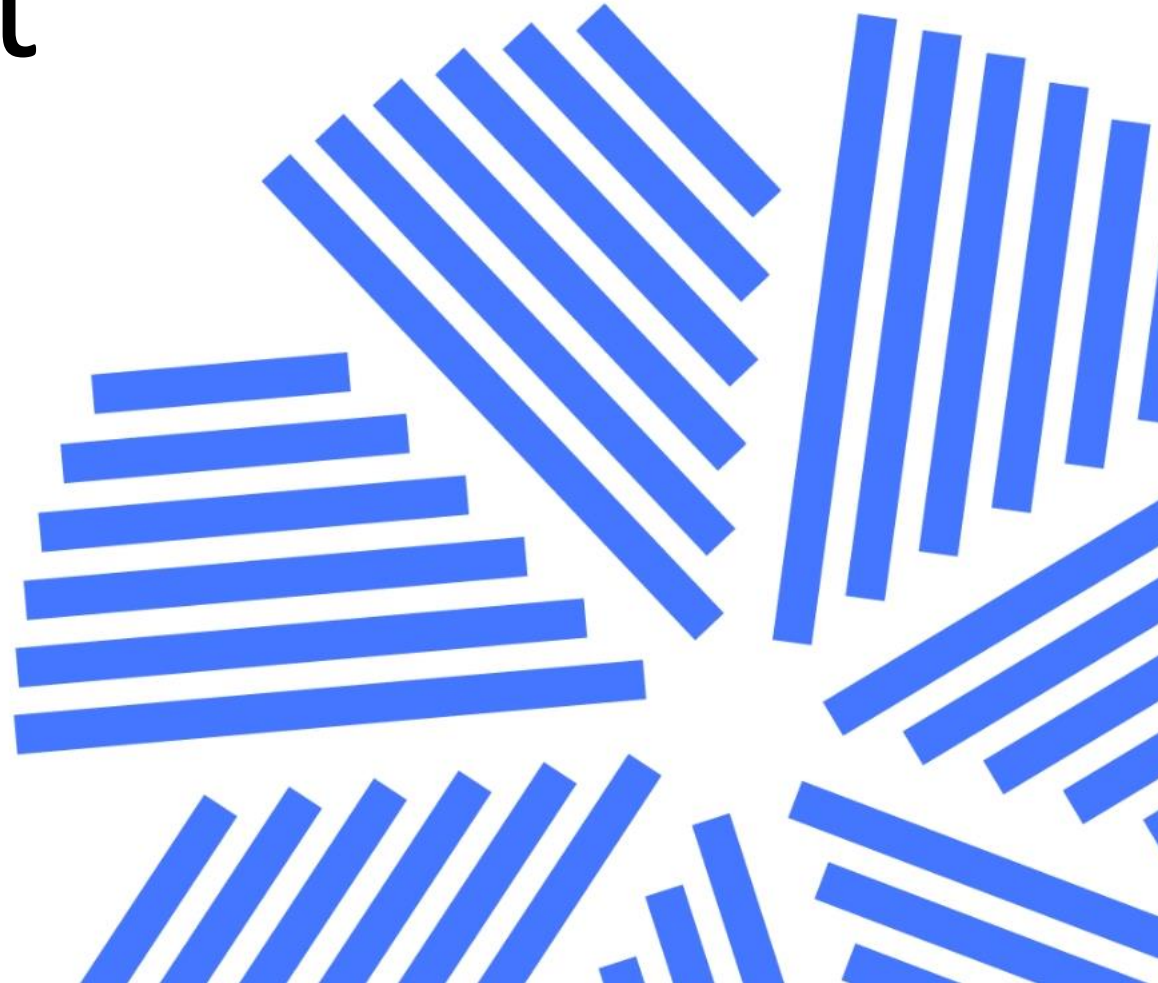


Borrowing and Credit for Teens

[Presenter name]

[Presenter name]

[Date]



Disclaimer

This presentation is the property of the CFA Society Boston. It may not be copied, duplicated, or disseminated in whole or in part without the prior written consent of CFA Society Boston.

The comments, suggestions, and advice provided in and during this presentation are of the applicable presenter and not of their respective employers or CFA Society Boston, its members, employees, or volunteers.

Please see the additional disclaimer provided at the end of this presentation.





CFA Society Boston

- Non-profit professional society of over 6,000 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



CFA Institute

- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community



Speaker Biographies

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...



AGENDA



An Overview of Credit and Borrowing



Types of Loans / Borrowing Options



Credit Scores



Credit / Borrowing: Important Issues



Image from Pexels

Overview of Credit and Borrowing



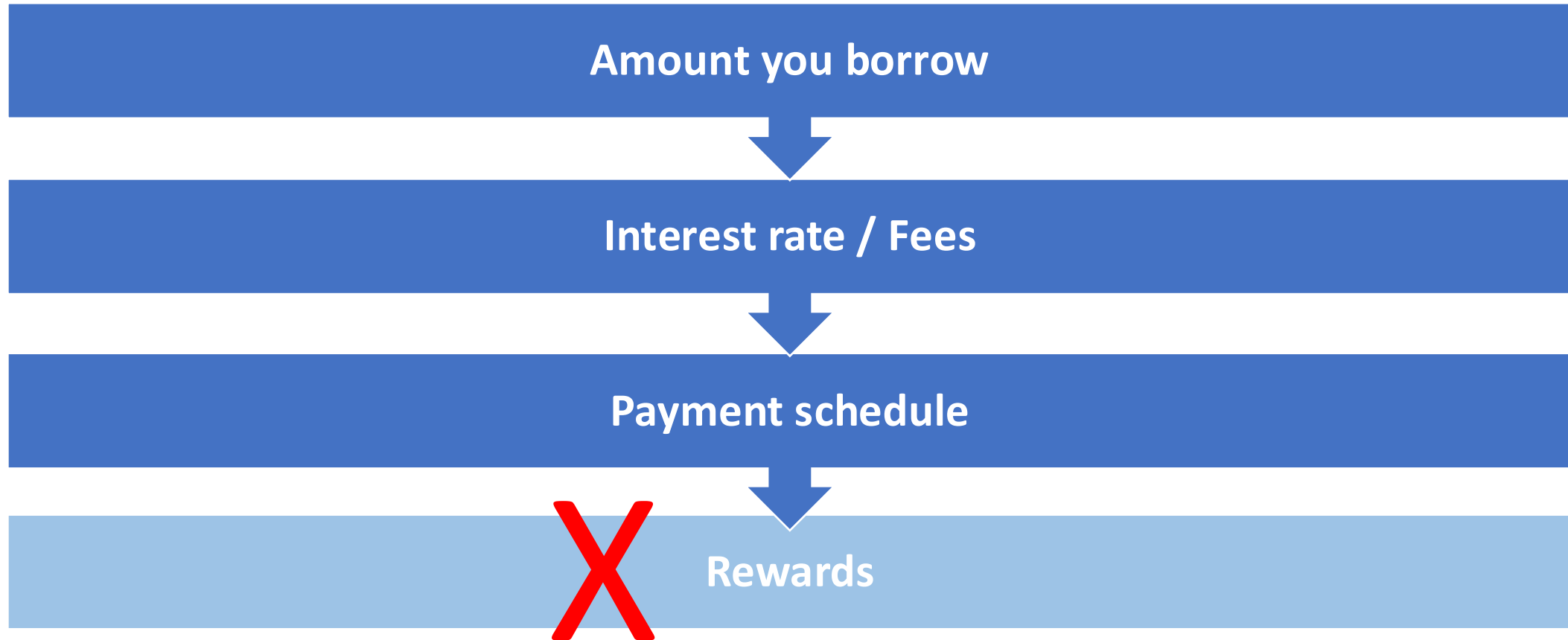
What is Credit?

The ability of a **customer** to obtain the goods or services now by promising to pay (1) the cost **plus** (2) a borrowing fee in the future.



Image by Rupixen from Pixabay

Key Aspects of Credit and Borrowing



Focus on Fees + Interest Rates



What affects the interest on a loan?



Image by Mediamodifier on Pixabay

U.S. Federal Reserve Bank's monetary policy

Inflation

Secured vs. unsecured borrowing

Credit score

Income and cash flow

Savings

How to Fund a Purchase: Savings or Borrow?

SAVING

- Savings earn interest
- Cheaper
 - Avoids interest payments
- Usually takes time to establish
 - Planning ahead saves you money
- Builds a financial safety net

BORROWING

- Borrowing costs interest
 - More expensive; Lenders make \$\$
- Loans are for immediate needs (not wants) that you cannot afford to pay for in cash
- Borrow when draining savings would leave you financial vulnerable

Considerations: Savings or Borrowing

INTEREST RATES - compare interest earned on Savings vs Borrowing costs

REPAYMENT TERMS - consider how terms affect your monthly budget

RISK TOLERANCE - do you want to avoid accumulating debt or do you have a higher tolerance for debt?

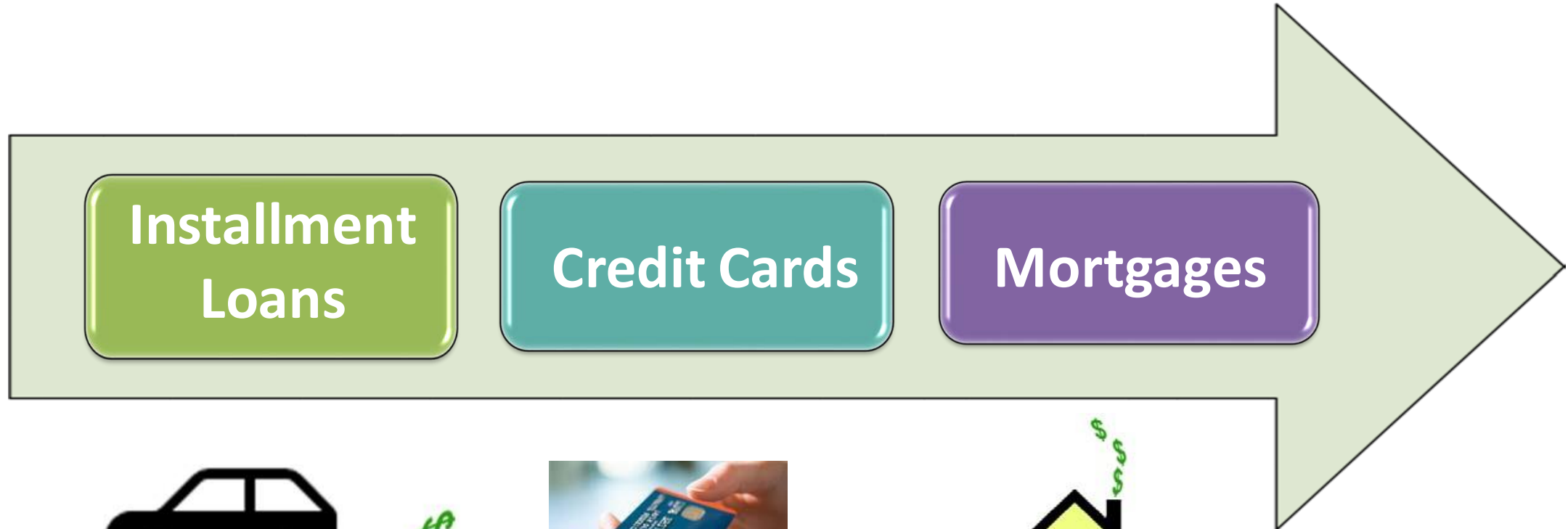
FUTURE GOALS - is purchase in-line with your long-term goals or is it a sudden necessity?

There is no "one right answer." Use Savings, Borrow or both (Savings & Borrow)

Types of Loans / Borrowing Options



Common Types of Borrowing

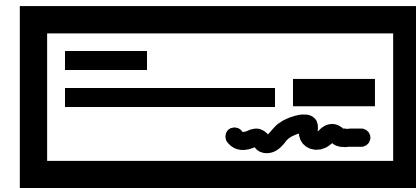
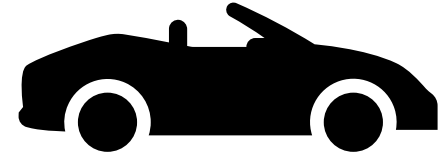


Installment loans - Secured

Secured by an asset



Auto loans, mortgages,
pay day loans



Installment loans - Unsecured

Does NOT require an asset to back it

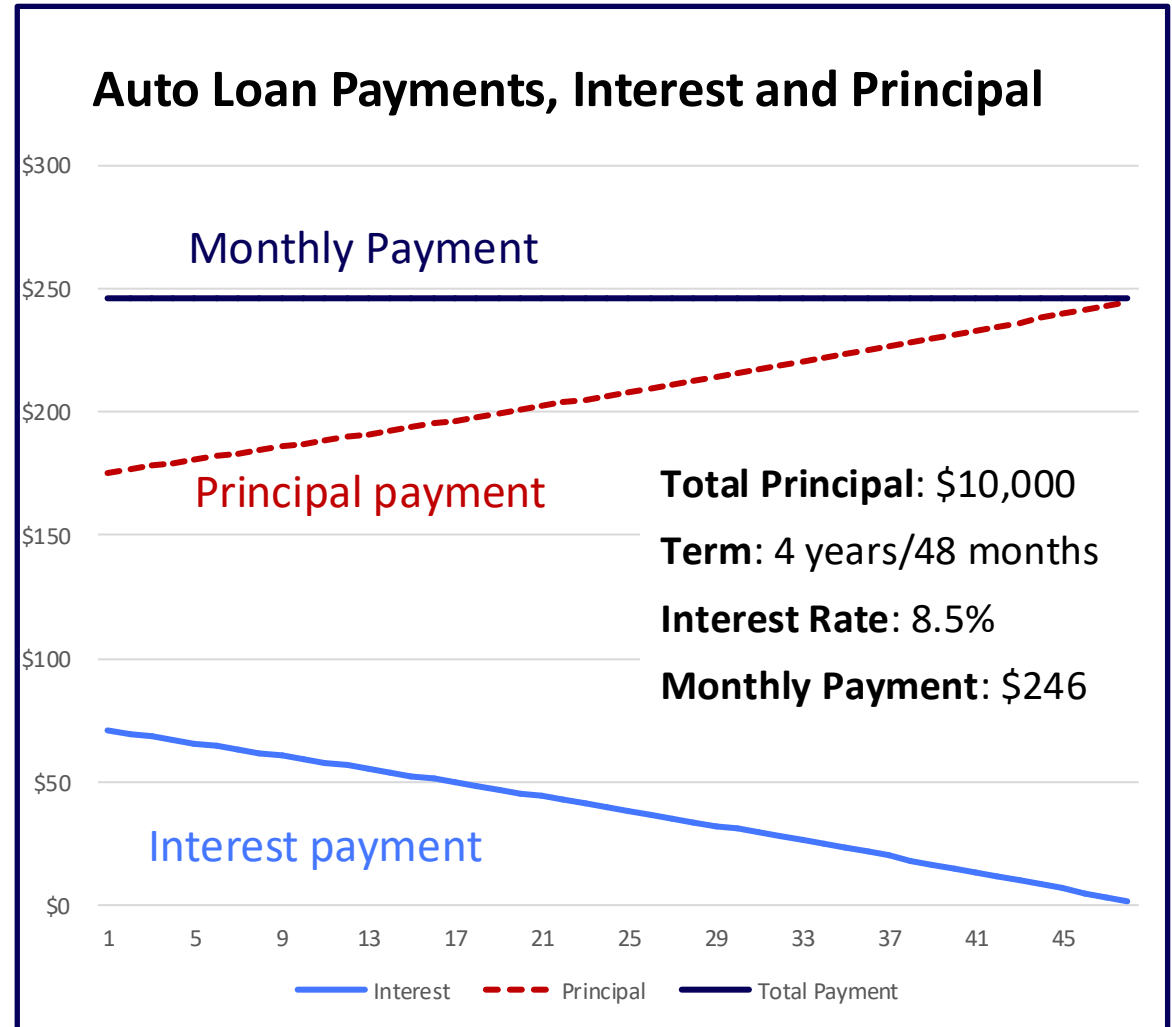


Credit cards, retail store cards, loans from a family member, buy now pay later (BNPL) loans



Installment Loans: Fixed Rate

- Level monthly payments
- Principal payment increases over time and interest payment shrinks
- Bankrate.com Calculators



Credit Cards

Credit cards are different from debit cards and pre-paid cards

Wide array of credit card options available

- Secured cards
- Student cards
- Becoming an authorized user on your parents' card
- Rewards cards
- Retail store cards

Compare Credit cards at www.creditcards.com



Credit Card Features

Revolving credit & Credit limit

- ✓ Flexible payment; minimum payment
 - ✓ Build credit record
 - ✓ Qualify for rewards/benefits
 - ✓ Wider use (shopping, utilities, gas)
 - ✓ Robust fraud protection (maximum liability \$ 50)
 - ✓ Can consolidate charges; easier to track
- ✗ Fees (annual, late payment)
 - ✗ Requires hard credit check
 - ✗ Interest charges add up if balance is not paid in full each month. Interest rates are typically in the high teens or 20%+



Buy Now Pay Later (BNPL) Features

- ✓ Installment loan
- ✓ Pay in equal installments (first installment due at checkout)
- ✓ May be offered interest-free
- ✓ Application online; approval without a hard credit check
- ✗ Offer is retailer-specific
- ✗ High penalties for late or non-payment
- ✗ Installment amount / schedule makes it less flexible
- ✗ Not consolidated; can easily lose track

Resources

Point of sale retail lenders (Affirm, Afterpay, Klarna, etc.)

*<https://www.nerdwallet.com/article/loans/personal-loans/loan-at-checkout>



Pay Day Loans

- Short-term cash advance against your next paycheck via draft against your checking account
- High fees - \$15 Fee for every \$100 borrowed. This equates to a very high interest rates – 400% APR for a 2-week loan
- **Not legal** in Massachusetts
- Loan of last resort



Photo by [Jeremy Bishop](#) on [Unsplash](#)

Credit Scores



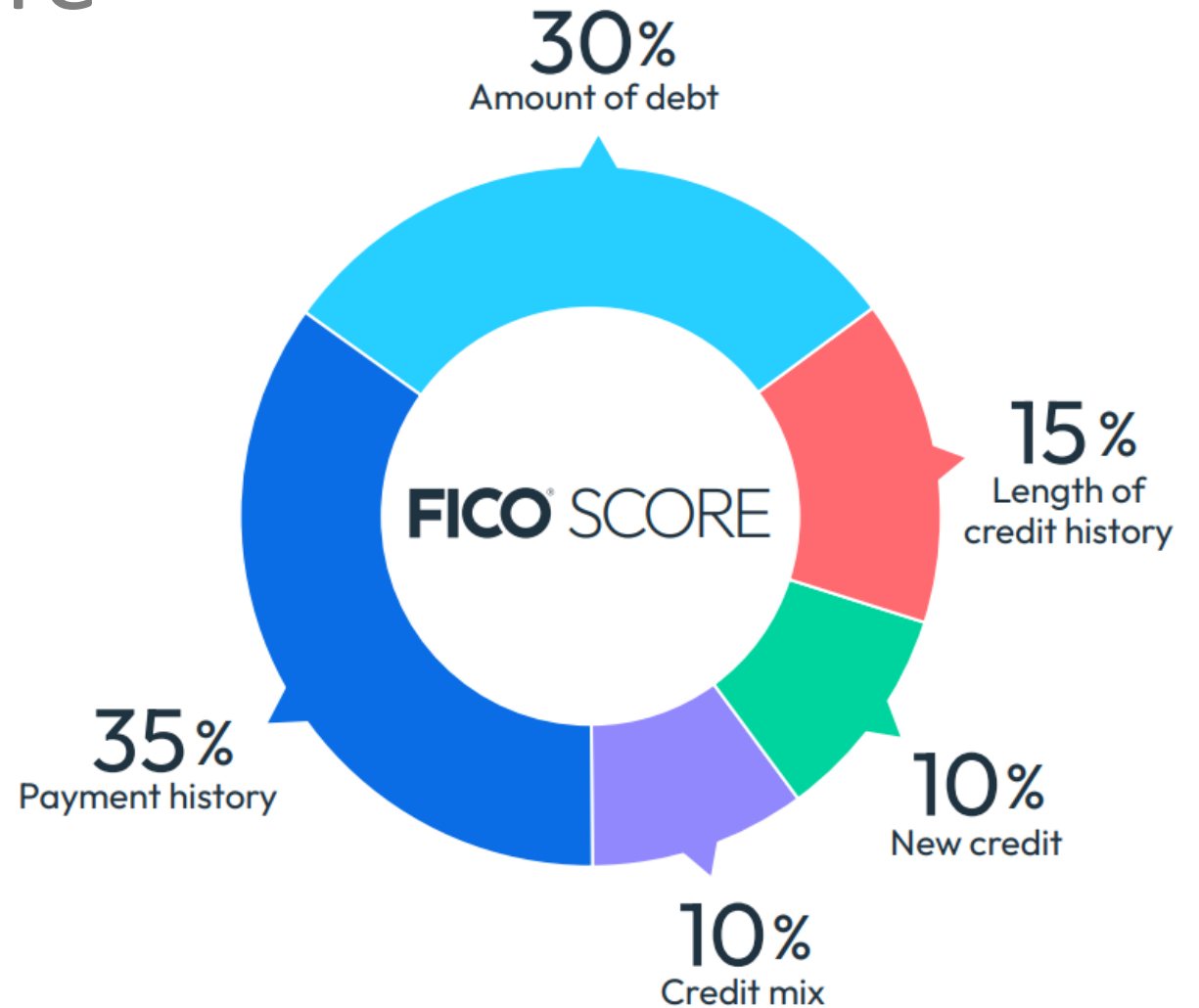
Credit Bureaus/Agencies

- Collect information on individual borrowing and bill paying habits & credit information
- Major US Consumer Reporting Agencies in the US:
 - Equifax (www.equifax.com)
 - Experian (www.experian.com)
 - TransUnion (www.transunion.com)
- The US Government created the Consumer Financial Protection Bureau (CFPB) in the aftermath of the 2008 financial crisis *“to make sure banks, lenders and other financial companies treat you fairly”* www.consumerfinance.gov. This law allows you to access your credit report



Factors in a FICO score

- Weightings may differ on an individual basis.
- For individuals with little credit history, more weight may be placed on their credit mix.



Factors in a FICO score

On-time Payment History – 35%

- Make sure you pay your bill on time every month
- Don't be late
- Don't miss a payment
- While you should pay your bill in full, at the very least, pay the minimum amount

Amount of Debt or Utilization Rate – 30%

- How much credit you have available vs how much you actually use.
- Using 100% of your available credit is **Bad**. (\$1,000 of \$1,000)
- Using 20% of your available credit is **Good**. (\$200 of \$1,000)

Length of Credit History – 15%

- Average Age of your Credit History
- The longer you have a credit account open and in 'good standing', the more likely you will pay a bill or loan on time. And this is positive for your FICO score

Credit Mix - 10%

- Types of Credit
- Lenders want you to have experience handling multiple types of loans to prove you can handle different kinds of debt.
- Student loans, credit cards, auto loan, mortgage, etc.

New Credit - 10%

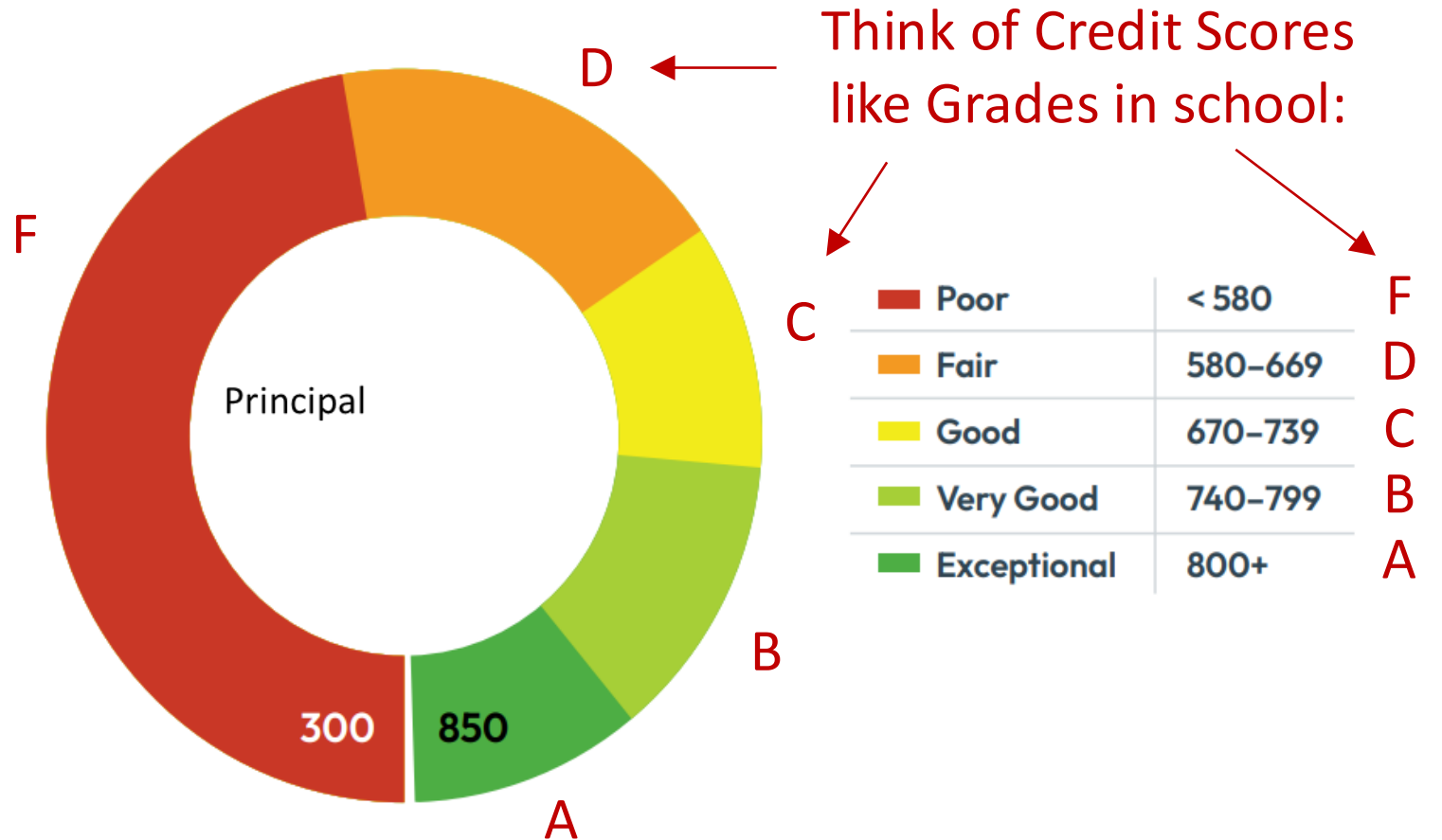
- Based on the number of "hard inquiries"
- Any time you apply for a new line of credit, it show up as a "hard inquiry."
- Lenders view people with more "hard inquiries" as riskier than those with fewer.

What does your Credit Score mean?

Higher is better

Higher FICO Scores demonstrate lower credit risk.

Lower FICO Scores demonstrate higher credit risk



Who determines your Credit Score?



Who determines your Credit Score?

YOU DO!



Factors that do NOT go into a Credit Score

- Your race, color, religion, national origin, sex or marital status
- Your age
- Your salary, occupation, title, employer, date employed or employment history
- Where you live
- Certain types of inquiries such as promotional, account review, insurance or employment related inquiries
- Any information NOT found in your credit file
- Any information that is not proven to be a predictive of future credit performance

Source: [MyFICO.com What's Not in Your Credit Score. Accessed March 23, 2026](https://www.myfico.com/what-not-in-your-credit-score)



What does your credit score mean in \$\$\$

- Borrowers with the best score (Superprime) save **\$57** per month over borrowers in the 601 – 660 range.
 - Or **\$2,733** over 48 months.
- Borrowers with a credit score below 600 may have difficulty getting a car loan

Credit score	Average APR, new car	Average APR, used car	Monthly Payment (New Car)	Total Interest Paid (New Car)
Superprime: 781-850	4.88%	7.43%	\$574.37	2569.96925
Prime: 661-780	6.51%	9.65%	\$592.99	3463.47844
Nonprime: 601-660	9.77%	14.11%	\$631.31	5302.72416
Subprime: 501-600	13.34%	19.00%	\$674.91	7395.86456
Deep subprime: 300-500	15.85%	21.60%	\$706.59	8916.22014
Source: Experian Information Solutions, 3rd quarter 2025. Based on VantageScore credit scoring model.			Calculated in Excel for a \$25,000 48 Month Loan	

What affects your FICO Credit Score?

Unpaid utility bill sent to a collection agency

Paying a credit card bill late

Not having a college degree

Maxing out credit card limits

Being unemployed

Amount of savings in your bank account

Missing a car lease payment

Your salary

What affects your FICO Credit Score?



Unpaid utility bill sent to a collection agency



Paying a credit card bill late



Not having a college degree



Maxing out credit card limits



Being unemployed



Amount of savings in your bank account



Missing a car lease payment



Your salary

How to Improve your Credit Score

Remove Negative Items

- Report any incorrect information on your credit report
- Pay off late accounts
- Bring down credit card balances that are near or above limit

Add Positive Items

- Make payments on time
- Apply for one credit card if you do not have one
- Use only a small amount of your credit limit (< 30%)
- Pay off your balance in full

Credit Score

Establishing an excellent credit score is very important.

Cell phone companies, landlords, insurance companies, employers may access your credit report

Access your free Credit Report every year from each of the 3 credit bureaus (www.annualcreditreport.com), but Credit Scores are not free.

Credit / Borrowing: Important Issues



Establishing Credit

Finance a store purchase with a same-as-cash offer

Get a credit builder loan (borrow a small amount which is deposited at the financial institution until you pay the loan off)

Become an authorized user on a trusted person's account --- check that the financial institution reports to the credit bureaus.

Establishing Credit

WATCH ABC News in Washington:
<https://www.youtube.com/watch?v=IIFZsjvXUAc>



Establishing Credit

Acquire a retail store card (often easier to acquire than major credit cards)

Get a credit card through the bank where you have your checking account

Acquire a secured or unsecured credit card in your name

Important Considerations before Borrowing

How steady is your source of income? How much does the loan amount represent of your total earnings?

How much personal debt are you incurring compared to the size of your assets (properties)?

What is the repayment schedule? Can you meet the monthly payments, including both interest and principal?

How quickly can you pay off the debt? Is the repayment schedule aligned with your expected cash flow sources?

Important Considerations before Borrowing

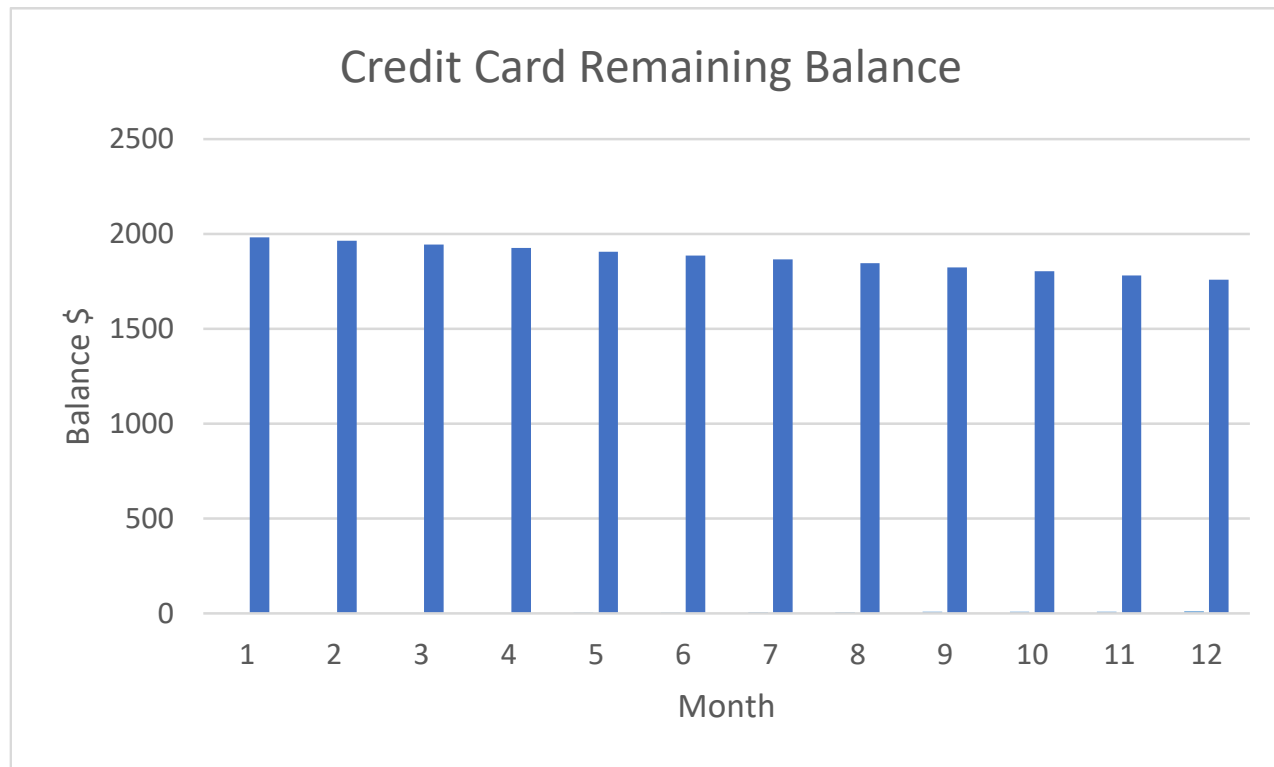
- How much will you be paying in interest charges? At variable or fixed rates?
- Who is the lender? Well known? Reputable?
- Are there other fees involved? (e.g., insurance, tax & maintenance costs in home & auto loans)
- How will this borrowing affect your credit score?
- Read the draft agreements carefully and understand the borrowing terms before signing.

Use Credit Cards Responsibly

- Pay off your balance in full every month.
- If not, pay the minimum required on time to avoid harming your credit report
- Avoid credit cards with annual fees
- Limit the number of credit cards you use



What's wrong with paying the minimum on your credit card?



Source: <https://calculator.now/credit-card-calculator/>

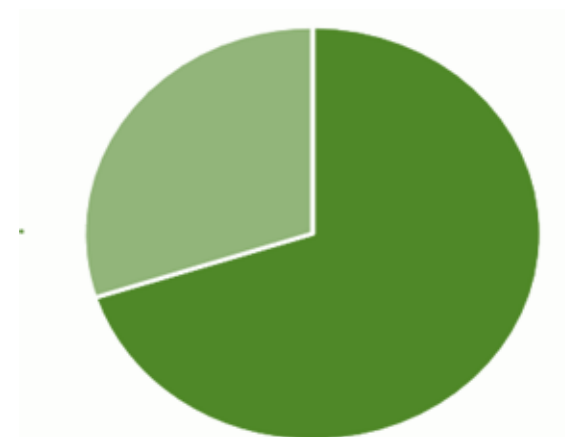
- Buy a \$ 2,000 home theater in January using a credit card at 18.99% interest
- Pay the \$ 50 minimum payment every month starting in February
- After one year, your balance is still high at \$ 1,760 and you have paid \$ 360 in interest.
- At this rate of payment, it will take over 5-years to pay off the card balance, and you will have paid almost \$ 3,200 in interest and principal payments.



Compare: \$ 2,000 vs. \$ 3,200

Use Credit Cards Responsibly

- Keep your credit usage < 30% of your limit
- Never finance anything beyond its useful life
- Keep your credit card open even if you don't intend to use it (make one small purchase a year)





Borrow under 30% of your limit



PCs have a useful life of ~3 years

Pros & Cons of Credit Cards

	
Able to buy needed items <i>now</i>	Pay interest
Don't need to carry cash	Impulse buying
Build credit	Too much borrowing can lead to financial problems



Student Loans: Forbearance vs Deferment

Forbearance



Deferment

Pauses payments

Pauses payments

Interest always accrues. Unpaid interest is added to the principal balance

Interest does NOT accrue on Direct Subsidized loans + Perkins loans

Easier to obtain for general financial difficulties, medical expenses, or job loss.

Requires specific circumstances (e.g., in-school, unemployment, economic hardship)



References

<https://www.nerdwallet.com>

<http://www.myfico.com>

<https://bankrate.com>

<https://www.fidelity.com/mymoney>

<https://studentaid.gov>

<https://ftc.gov>

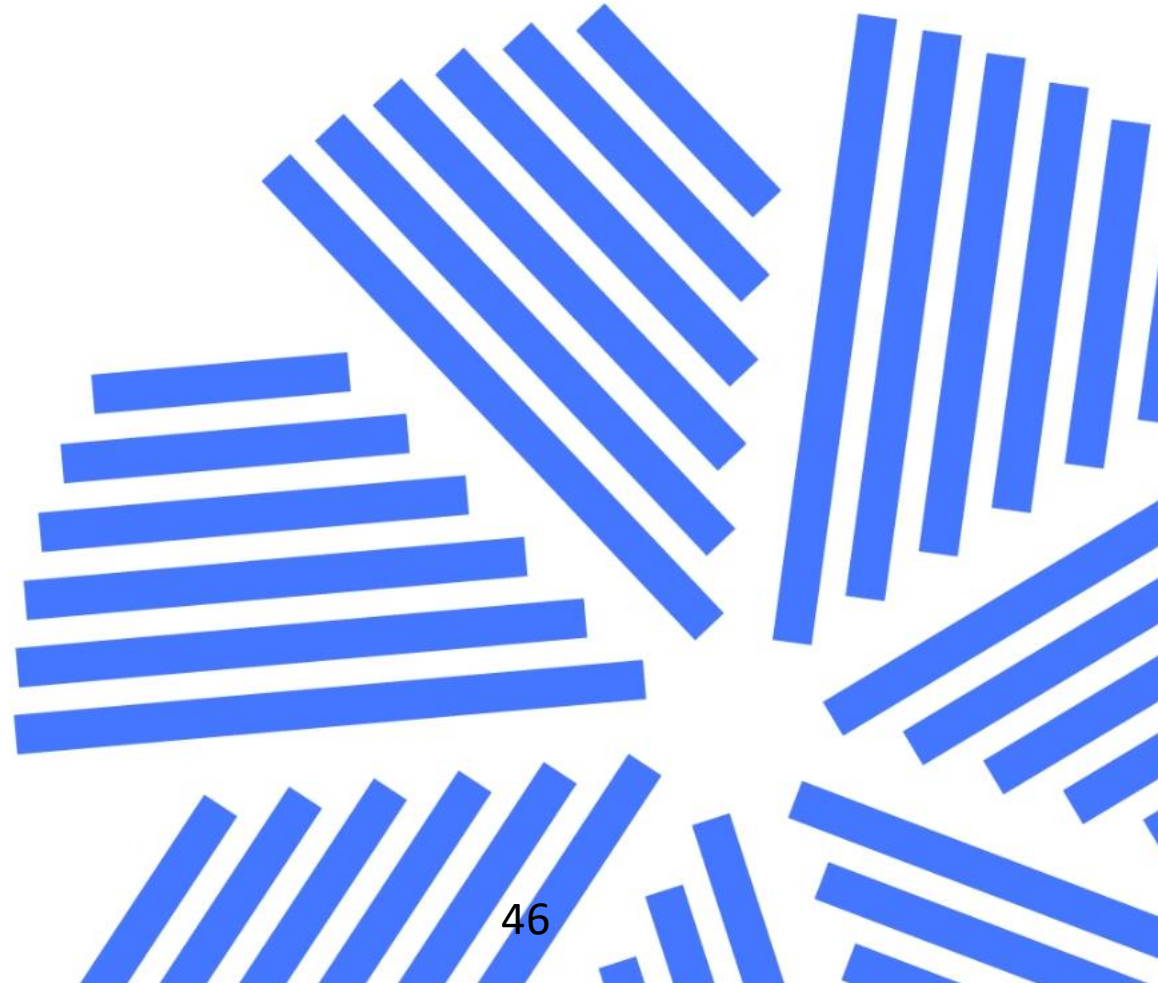
<https://www.consumerfinance.gov/>





How can we help?

CFA Society Boston
www.cfasociety.org
617-426-0270



Disclaimer

This proprietary presentation is provided for general informational purposes only and was prepared based on the current information available, including information from public and other sources that have not been independently verified. No representation or warranty, express or implied, is provided in relation to the accuracy, correctness, appropriateness, completeness or reliability of the information, opinions, or conclusions expressed in the presentation and by the presenters.

Information in this presentation should not be considered as a recommendation or advice to own any specific asset class. This presentation does not take into account your needs, personal investment objectives, or financial situation. Prior to acting on any information contained herein, you should consider the appropriateness for you and consult your financial professional. All securities, financial products, and transactions involve risks, including unanticipated market, financial, currency, or political developments. Past performance should not be seen as a reliable indication of future performance, and nothing herein should be construed as a guaranty of results.

This presentation is not, and nothing in it should be construed as, an offer, invitation or recommendation of any specific financial services company or professional, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, any securities in any jurisdiction.





Thank You



About CFA Society Boston Financial Literacy Program

Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

Our Financial Literacy Mission

To close the financial literacy gap by imparting financial knowledge without conflicts of interest, thereby improving the lives of the current and future investing public, the credibility of our industry and ultimately, the stability of our economy.

How it Works

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.





How to Partner with the CFA Society Boston Financial Literacy Program

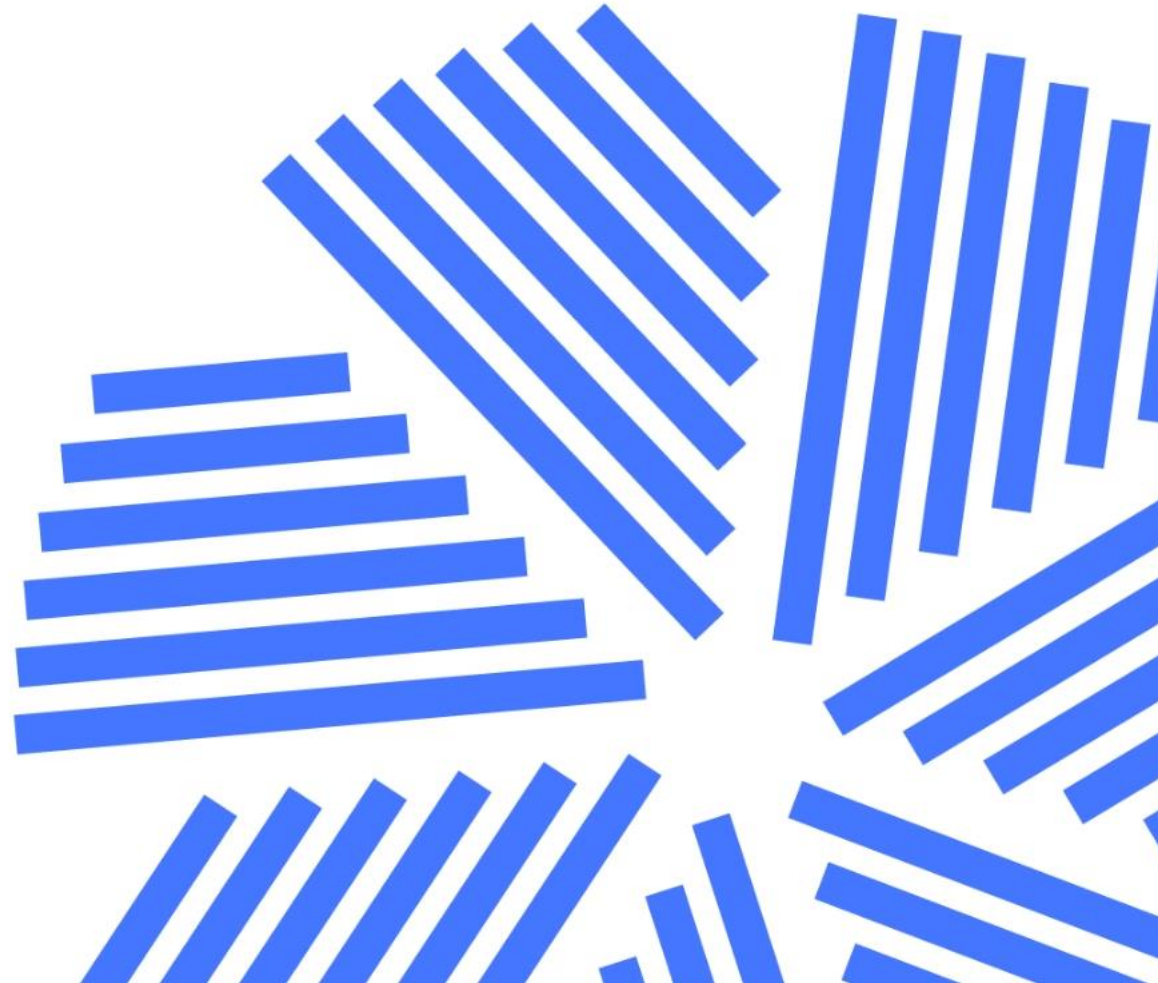
What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit www.cfaboston.org/financialliteracy or email finlit@cfaboston.org.





PRESENTATION INFORMATION

Alliance Leader(s):

Date of Offering:

