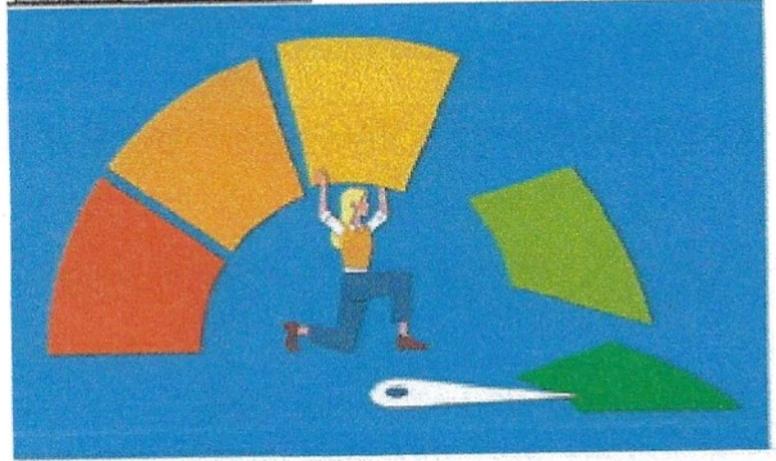


2026-3-9

GTK
Gen RE



ZARA PICKEN FOR WSJ

A Credit Score Is a Mystery— Until It Suddenly Matters

Young Money • Julia Carpenter

The ebbs and flows of a score can be confusing, so accepting them is key

ISTILL REMEMBER where I was when my credit score cracked 800. I was scrolling through social media during a break at a former employer when a notification about my credit score popped up. When I checked the score, the “8” in front of the number caught me by surprise.

That was nearly 10 years ago. A lot has happened in my financial life since then, including a big achievement in the past year. In August, my girlfriend and I purchased our first home. And after leaving my full-time job in 2024, I first struggled to wrap my hands around my freelancing cash flow, but last year was a turning point. I landed some plum assignments, and I used funds from one grant to pay down some credit-card debt.

So why, in the midst of all these money milestones, did my credit score drop 50 points?

As a professional personal-finance writer, I’m almost ashamed to admit that the fluctuations in my credit score still confuse me— but I know I’m not alone in not fully understanding this metric.

Many younger Americans don’t really think about their credit score in their day-to-day lives. Others don’t know the range (the FICO score, which most lenders use, is 300 to 850) or what constitutes a good or bad score. But then, a money milestone arrives—buying a new car, shopping for a first home or applying for a loan—and all of a sudden that credit score becomes the most important number. Suddenly, we are governed by something that remains a mystery and we don’t know how we got there.

A credit score helps “lenders assess risk,” says Abigail Sussman, a professor of marketing at the University of Chicago. But “it is not about you, the borrower, and your worth as a human being or even how good you are at your finances. It gets at some aspects of your financial well-being, but it’s not a complete picture.”

And that’s what had happened to me: I’d lost sight of the complete picture.

Pieces of the pie

Sussman says younger consumers should think of their score as a pie made up of different pieces. The size of the pie is influenced by your payment history, debt outstanding, lines of new credit, your credit mix and the length of your credit history. In short, you boost your score by making payments and paying on time. Taking out new loans or opening new cards can lower it, as can missing payments.

But never opening a credit card or paying for everything in cash won't help either, says Colin Day, a wealth adviser at Mercer Advisors in Chesterfield, Mo. That kind of overly cautious approach could actually hurt your credit score. Younger consumers, in particular, need to use credit to build their credit history.

"The great irony of the U.S. credit system is you have to pay to play," says Day. "If you just hang out on the sidelines, you will suffer."

Yes, it all sounds counterintuitive. But young people can follow some simple best practices to cut through some of that confusion.

Be careful not to max out a credit card or reach your credit limit. Finance professionals say your credit score will thank you.

Opening and closing cards willynilly also isn't a good idea. Instead, keep an old card open and use it for small purchases. I have a friend who uses her oldest credit card strictly for music subscriptions on iTunes and Spotify. Keeping that card active, and paying off those purchases monthly, helps her score. And make sure you're applying for new credit only after careful consideration; applying for every new store or airline card can ding your score.

But the most important thing to do is the most straightforward: Pay down debt on time, and consistently. Add a recurring reminder to your calendar so you never miss a payment on a loan or a credit card. You also can set up automatic transfers.

The importance of time

That brings me back to my own score drop. I saw the purchase of my first home as a gold star on my financial résumé. After all, don't financial experts extol the benefits of building long-term wealth including real estate? But to my credit score, my new home—my new mortgage, that is—just signaled more debt.

I also put more purchases for the new apartment on my credit card, including a hefty deposit for the moving company. That dinged my score, and then I took longer than usual to pay off that card balance. But since then I've been on my best money behavior, and slowly, my score is creeping back up.

It's a reminder that our score is not a static number, says Susan Hume, associate professor of finance at the College of New Jersey.

Those ebbs and flows make us feel uneasy, but accepting them—and understanding the importance of building a credit score into our financial lives—is part of developing a long-term financial plan.

"If you just took out a mortgage, you're fully utilizing your credit, but the amount reduces over time as you make your payments," says Hume. "Time will establish your payment history, which is a big factor to improve your credit score."

Ah, time. The financial experts I spoke with agree that time plays a huge role in establishing your reliability, which, in turn, has an impact on your score. A credit score isn't something made or unmade overnight; it's a long game.

Julia Carpenter is a writer in New York. She can be reached at reports@wsj.com.