



Credit and cents

Making More Cents Quarterly Newsletter, Q3'2022

What the recent Fed rate hike means for you



Although gas prices have dropped by \$1.30 per gallon since June, other household prices remain stubbornly high. Grocery prices are up 14%, year-over-year, cars are up 10%, and rent is up 7%. As a result, the Fed raised rates by a robust three-quarters of a point. Analysts believe that the Fed will probably

hike rates later this year as well.

What do rate hikes cost you?

Every 0.25 percentage-point increase in the Fed's benchmark interest rate means an extra \$25 a year in interest on \$10,000 in debt. Last week's 0.75 percentage-point hike means an extra \$75 of interest for every \$10,000 in debt.

Do not ignore your credit score

Improving your credit score is especially important in a rising rate environment. Be proactive in fixing an error on your credit report, and take steps to [boost](#) your credit score so that you can borrow at favorable rates when the need arises.

What are some of the other impacts?

Here's a breakdown of some of the major ways the rate increase could impact your credit card, car loan, and savings deposits.

Credit Cards

Since most credit cards have a variable rate, as the federal funds rate rises, the prime rate does as well, and credit card rates increase accordingly. Credit cards' annual percentage rates are currently near an all-time record of 18% on average.

Credit card debt is easy to get into and rising rates make it harder to get out of it. We recommend credit cards like the [Upgrade credit card](#) that provides cash back, builds credit, and helps pay down your balance faster, which means you pay less interest.

Auto Loan

Car loan payments are getting bigger because the price for all cars is rising along with the interest rates on new loans. The Fed's rate increase could push up the average interest rate on a new car loan past 6%.

Auto purchases are large-ticket items and rising interest rates could easily push monthly payments outside of many people's comfort zone. Check out our [website](#) for options on refinancing or financing your auto loans.

Savings Accounts

One positive impact of the Fed rate increases is the increase in interest rates offered on online savings accounts. Compare and open a top-yielding [online savings account](#) or a flexible [no penalty CD](#). The online savings interest rates are expected to go up as Fed increases rates further.

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