

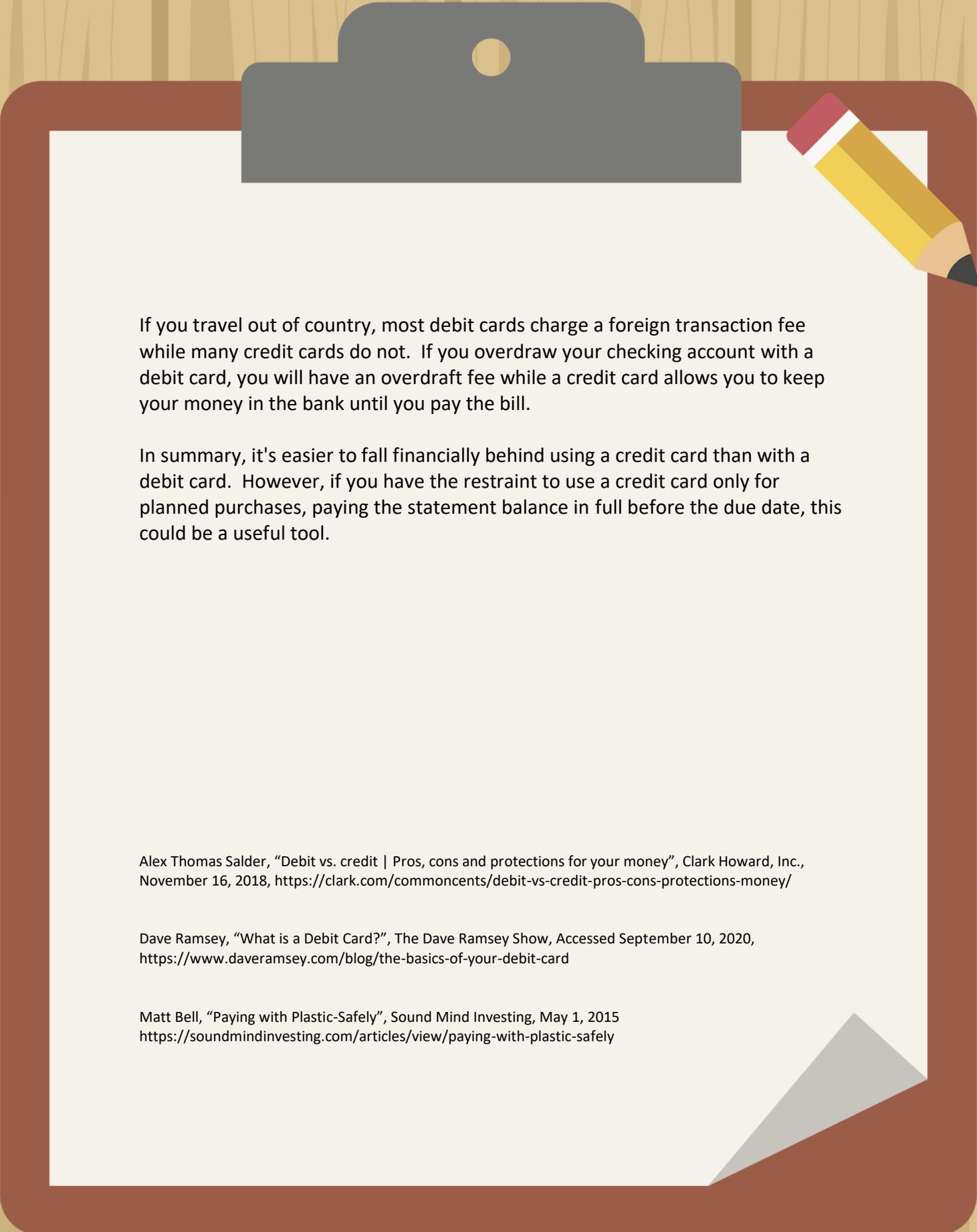


Credit Cards vs. Debit Cards

When you use a debit card, money comes out of your bank account at the time of the transaction. It's like using cash but in the form of plastic. It makes it easy to track expenses and balance your checkbook, if you still do that sort of thing. You immediately know where you are financially when you log into your bank account. But there is a downside.

A debit card is linked to your checking account. Any time you make a purchase, the money comes directly out of your account. Because the card is linked to your checking account, you can only spend money you have in your account. If your card is lost or stolen, Federal Law states that if you notify the issuer within two business days of discovering the problem, your liability for unauthorized charges is limited to \$50. That rises to \$500 if you wait more than two days after the card goes missing or data has been compromised. Many debit-card issuers provide more comprehensive protection, limiting liability for all fraudulent use to \$50.

With a credit card, you spend someone else's money, that's borrowed money. You agreed to pay interest unless you pay off the statement balance in full by the due date. Paying credit card bills on time builds your credit history while debit cards do not. Some credit cards also come with rewards like miles and points. Be careful, many credit cards charge an annual fee which may or may not be of benefit to you. If your credit card information is stolen, federal law says you are not liable for more than \$50 if charges as long as you report the loss to your card issuer. Some institutions don't even charge you the \$50. Should you not receive the advertised goods or services purchased with a credit card, you may dispute those charges.



If you travel out of country, most debit cards charge a foreign transaction fee while many credit cards do not. If you overdraw your checking account with a debit card, you will have an overdraft fee while a credit card allows you to keep your money in the bank until you pay the bill.

In summary, it's easier to fall financially behind using a credit card than with a debit card. However, if you have the restraint to use a credit card only for planned purchases, paying the statement balance in full before the due date, this could be a useful tool.

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