

Cash, Debit and Credit

Knowing which payment method to use can be difficult. These tips can help you determine the option that best suits your needs. With all the options for making purchases and payments, it can be difficult to know which payment method to choose. Is there really a “best” way to pay for things? Should some methods be avoided altogether? If you’ve been pondering these questions, the following should help you determine which payment methods best suit your needs.

When deciding when to pay by cash, debit or credit, consider your spending habits (carrying cash can help you manage daily spending) and how well you keep track of your finances (paying with debit or credit gives you easy access to a record of your purchases). Contrary to popular belief, it is not always best to pay with cash. Debit and credit cards can be a better payment method in certain situations. You might be looking to build your credit score, you might want to keep better track of your weekly/monthly spending or you might be in a situation where carrying cash isn’t safe. Here are some tips to help you decide which payment method is best for you:

Paying by Cash

Keeping cash on hand can be a great way to avoid overspending. You can choose exactly how much cash you’re willing to spend, carry it with you, and stop spending when you’re out of cash. For some people, cash can “burn a hole” in their wallet meaning the temptation of easily accessible cash can lead to undesired spending. Carrying cash also carries the risk that it could be stolen or lost. If these factors are concerns, consider using a debit or credit card which, in most cases, offers you protection against fraudulent use.

Choosing Debit

Debit cards provide easy recordkeeping and are accepted at many merchants which makes purchasing convenient. Unlike a credit card, which requires you to pay the bill later, the money comes directly out of your checking account. This is a great way to avoid spending more money than you have available.

Before you use your debit card, make sure you know your checking account balance. If you try to spend more than you have, your purchase may be declined or the institution might charge you an extra fee, also known as an overdraft fee. It is important to recognize that certain institutions do not allow you to overdraw your account, while others will allow you to overdraft. Please make sure to check your institution’s policy so you are aware of any potential fees you could incur by spending more than you have available in your account.

Look into your institution’s fraud liability protection program so you have a good understanding of your debit card’s security. Some debit cards offer protections similar to a credit card; so, if your debit card is lost or stolen, you won’t be on the hook for fraudulent purchases. Some institutions also offer debit cards that include photo ID to help ensure no one but you can use your card.

Paying by Credit Card

Responsible use of a credit card can be a safe and easy way to build up your credit rating.

If you choose to make a purchase with a credit card, you can avoid paying interest on purchases by paying your bill in full each month. You can reduce the amount of interest you pay on your purchases by paying more than your minimum payment each month.

Many credit cards come bundled with rewards programs that allow you to earn points that are redeemable for things like travel and merchandise. There are also cash-back credit card programs that allow you to earn a certain percentage of money back for each purchase you make with the

card. The ability to earn points or cash back on purchases may make using your credit card the right choice for some transactions.

Some credit cards offer a certain amount of protection on purchases. For example, some credit cards provide protection if you buy merchandise that turns out to be defective. Many credit cards also come with fraud liability protection, meaning the card provider won't hold you responsible for fraudulent charges on your card as long as you report them promptly.

Time to Take Action

You are the one who makes the decision whether cash, debit or credit (or a combination) best suits your lifestyle and habits. Carefully consider the benefits of each payment method before making a purchase. Deciding your payment methods ahead of time can help you keep better track of your money, and you won't be stumped at the checkout line when the cashier asks "cash," "debit" or "credit."