

the card next door

ins and outs of debit cards

DEBIT AND CREDIT CARDS LOOK LIKE IDENTICAL TWINS. But once you get to know them, you'll realize that debit cards are nothing like their plastic look-alikes. Credit cards can lead you to debt, but a debit card can help you keep track of your purchases and avoid that obstacle. To clarify what makes a debit card different, here's your introduction.

NICE TO MEET YOU

Debit cards work differently than credit cards. Purchases on debit cards are processed by either entering a personal identification number (PIN) or signing a receipt – credit cards don't use PINs. Also, debit cards are issued by financial institutions and link directly to your checking or savings account. Because of this, it's important to know the strengths and weaknesses of debit cards.

STRENGTHS

- **BUDGETING.** Track your spending with a debit card – go online to check your account statement, and see how much you're spending on those caramel macchiatos. If you get used to not spending more than you have in your account, then you might not have the urge to go crazy with your credit cards.
- **CONVENIENCE.** You can use your debit card where you use your credit card, withdraw cash from ATMs, and get cash back from some stores.
- **REWARDS.** Make purchases with your debit card and earn rewards from some financial institutions.

THERE WERE
29 MILLION
DEBIT CARD TRANSACTIONS
IN 2007, EXCEEDING CREDIT
CARDS FOR THE FIRST TIME.

sources: Packaged Facts • reuters.com

WEAKNESSES

- **LINKED.** Take precautions – your debit card is linked directly to your account, so you don't want a thief to get hold of it.
- **FRAUD.** You could be liable for fraudulent charges on your debit card – up to any stolen amount. The Federal Trade Commission advises that you report the loss or theft of your card to the issuer as quickly as possible. Follow the phone call with a letter. Search “debit card” at fdic.gov for more information.
- **FEES.** If you try to make a purchase and you don't have enough money in your account, you will likely be charged an overdraft fee. You may also be charged a fee for using out-of-network ATM machines. In rare cases, institutions might charge a fee for each transaction.

When you make a purchase with a debit card, the funds are usually withdrawn within 24 hours. You don't have the luxury of waiting for your credit card bill before paying for the Wii you just bought, but you don't have the worry of accruing debt (and the interest that comes with it) either. By keeping track of your spending with your financial institution's website or others such as wesabe.com, mint.com and buxfer.com, you'll know exactly how much you've spent – and you'll know if something looks wrong on your account statement. **b**

“YOU COULD BE
LIABLE FOR
FRAUDULENT
CHARGES
ON YOUR DEBIT CARDS.”

BOTTOM LINE: Over 23 million twentysomethings have a debit card. If you're buying things on credit cards and not fully paying them off, use a debit card and make sure you're not contributing to the \$968 billion of revolving consumer debt (mostly credit card debt) in the U.S.

SAFETY PINS

3 TIPS FOR CREATING YOUR PIN:

- CHOOSE A RANDOM NUMBER THAT NO ONE CAN GUESS.
- DON'T USE YOUR ADDRESS, DATE OF BIRTH, SOCIAL SECURITY NUMBER, OR PHONE NUMBER.
- MEMORIZE YOUR PIN NUMBER AND NEVER GIVE IT OUT. IF YOU MUST WRITE IT DOWN, KEEP IT HIDDEN IN A SAFE PLACE AT HOME, NOT IN YOUR WALLET.

sources: usatoday.com • ftc.gov • dfi.wa.gov

[\$3] THE AMOUNT OF FEES THAT YOUNG ADULTS
PAID FOR EVERY \$1 OVERDRAWN IN 2007.
source: responsiblenlending.org

[\$1] BILLION WERE COLLECTED IN OVERDRAFT
FEES FROM YOUNG ADULTS IN 2007.
source: responsiblenlending.org