

Credit Cards vs. Debit Cards

Which works best for you.

What is the difference?

Credit cards and debit cards are cards issued by financial institutions for making purchases and accessing funds. They typically look almost identical. Both have 16-digit card numbers, expiration dates, magnetic strips, and EMV chips.

The similarities between credit and debit cards include:

- Convenience – Both can be used in-store and online.
- Globally accepted – Visa and Mastercard are typically widely accepted by merchants.
- Fraud protection – Both offer some level of protection against fraudulent transactions.
- Pin or Signature – Both may require a signature or pin to complete a transaction.
- Monthly statements – Card owners are provided monthly statements detailing card activity.

Debit and credit cards can make it easy and convenient to make purchases in stores or online, but there is one key difference.

Debit cards allow you to spend money by drawing on funds you have deposited in your checking account.

Credit cards allow you to borrow money from the card issuer up to a certain predetermined limit. The amount of money you spend using a credit card must be paid back.

Which card is best for you?

If you prefer stricter control over your finances, then a debit card is a more suitable choice.

Use your debit card if:

- You prefer to get cash back at the register when making purchases. Many retail stores offer the ability to get cashback when paying with a debit card.



- You have debt that you are unable to pay off. Using a debit card can help prevent increasing the amount of debt you have.
- You are new to using a card to make purchases and want to ensure spending discipline.

If you are prioritizing credit building and maximizing rewards, then credit cards are essential tools for your financial journey.

Use your credit card if:

- You want product coverage. Some credit cards offer purchase protection, which is beneficial for online and large purchases.
- You are aiming to build or rebuild your credit. Using a credit card that you pay off completely each month can help establish a positive credit history.
- You want to earn rewards. When using a credit card to make purchases you are accumulating rewards or points that can be redeemed for a variety of options.



Debit Cards

A debit card functions as a payment card, deducting money directly from a member's checking account. Debit cards can provide similar convenience to credit cards and have many of the same consumer protections. Consumers often favor debit cards because they typically entail minimal fees. One exception is overdraft charges which occur when spending exceeds the available account balance.

There are several types of debit cards. Some of which include:

Standard debit cards are linked directly to a checking account.

Electronic benefits transfer (EBT) cards are issued by state and federal agencies which allow eligible recipients to utilize their benefits when making purchases at authorized retailers.

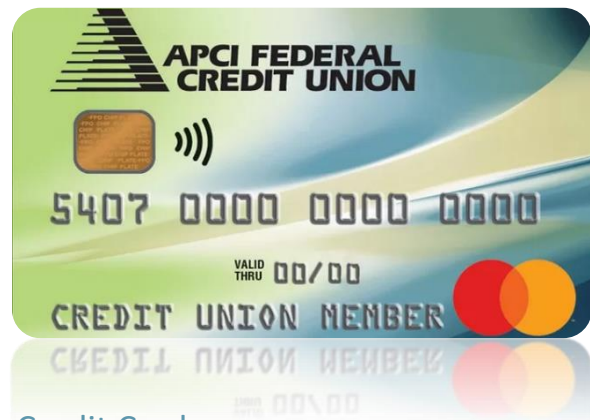
Prepaid debit cards are loaded with a specific amount of money. This type of card offers individuals without access to a financial institution account a way to make electronic purchases. The no-fee advantage does not hold for prepaid debit cards, which frequently charge activation and usage fees.

Debit cards can offer certain advantages over credit cards, such as:

- Avoiding Debt
- No Annual Fees
- Fraud Protection

Debit cards have some disadvantages over credit cards, such as:

- No Rewards
- No Credit Building



Credit Cards

A credit card, issued by a financial institution, allows the cardholder to borrow funds from that institution. The card holders commit to repay the borrowed money along with interest, adhering to the terms and conditions established by the issuer.

Credit cards are issued in the following variety of categories:

Standard cards provide the card holder with a predetermined line of credit for making purchases, balance transfers, or cash advances. Standard cards typically do not have an annual fee.

Premium cards provide additional benefits like concierge services, airport lounge access, and special event access. Premium cards often come with higher annual fees when compared to standard cards.

Rewards cards offer cash back, travel points, or other incentives based on the cardholder's spending habits.

Secured credit cards require the cardholder to make an initial cash deposit that is held by the issuer as collateral.

Credit cards can offer certain advantages over debit cards, such as:

- Building Credit History
- Warranty and Purchase Protection
- Fraud Protection
- The Fair Credit Billing Act

Credit cards have some disadvantages over debit cards, such as:

- Credit Score Impacts
- Interest and Fees
- Debt Accumulation