



Debit or Charge

Credit Learning Center



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Plastic in your wallet is not always credit or one of the big four.



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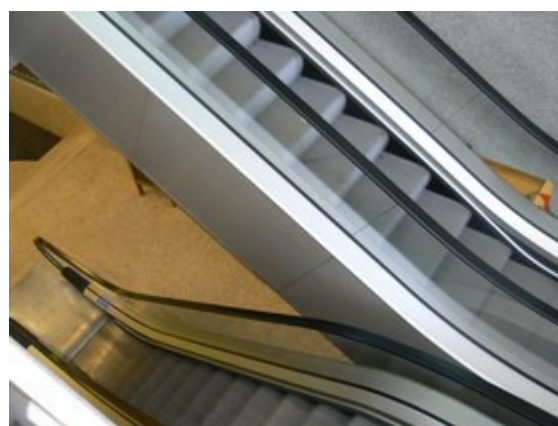
Additional Credit Topics

Debit or Charge by Steven Anderson

Debit or Charge

Today's main source of spending is that plastic rectangle everyone has. Why is the world revolving around credit cards now? The simple answer is because credit cards are safer and more convenient than cash. In the world today there are three different types of plastic in with which you can make purchases. While they are similar they are all three different types of purchases. So we are going to talk about the differences.

Let's start with Charge Cards since they are generally the least heard of. Charge cards work like credit cards in the aspect that they give you a line of credit to make the purchase with. However, unlike a credit card, you cannot carry the balance over into another month. At the end of the month your balance must be paid in full. American Express is one of the biggest known names for this type of card, even though they are usually lumped in as a Credit card.



So now that you know what a charge card is, let's talk about the pros and the cons of owning one.

I always like to start with the bad news first so we are always going to talk about the cons first in this article. Charge card cons: You are limited if you need more funds because your spending must be limited to what you can pay off at the end of the month. If you can't pay that statement at the end of the month there is a butt kick in fees and penalties. Not only that but it has a large effect on your credit report.

Now for the good news, since you are already gloomy about the cons. Number one, there are no interest charges! That usually puts a smile on people's faces although they usually come with an annual fee. Charge cards, for the most part, skip the credit limit. This means, effectively you have almost unlimited funds available **but you need to be wise** since that monthly payment-in-full will be coming. Paying the balance in full each month keeps your overall debt down which is another huge plus. Rewards are usually more generous than credit cards.

Now that you know a little about the charge cards lets go back and touch base on debit cards. Most people know what these are and an increasing number of consumers are carrying them. These little plastic credit card look-a-likes give you instant access to the money in your bank account. They can be used almost anywhere credit cards are accepted and at most ATM's.

So here's the bad news about your bank cards. There are absolutely no grace periods for transactions. As soon as you make a purchase that money is deducted from your account. The only other con is the fact that using your debit card may make it hard to balance you account if you don't like to hang onto your receipts. I know from experience how that can mess you up. And finally there are many fees associated with debit cards.

But there is always good news for your bad news. These help you steer clear of debt. You can only spend what's in your account so you don't have to worry about racking up charges you can't pay for. Obtaining a debt card is worlds easier than a credit card. All you need to qualify is a checking account. Using your debit card and it's associated PIN number saves you from handing out your personal and banking information like you would for a check.

Okay, so we've hit on Charge cards and debit cards. So last but not least we have the Credit Cards. Banks grant you a pre-approved line of credit. This number tells you what you are allowed to spend. When the bill comes at the end of the month you have the option of paying it in full or carrying it over to give you a little more time, as long as you pay the minimum monthly fee. As long as you make at least the minimum

payment be the due date each month, you will remain in good standing. However if you carry a balance you will be charged interest.

This sounds so wonderful, but somewhere in there bad news has to exist, that's just the way the world works. The biggest burden is that credit cards make it too easy for some people. When you abuse the little plastic card it could financially ruin you with debt. Late fees are a little harsh, ranging from 10-50 dollars. Interest rates are also very flexible and not always for the good of the cardholder. If you don't pay your balance in full you will be charged interest. And last but not least, credit cards are a favorite target of scam artists. You have to be careful with your card as it is easy for the wrong hands to rack up charges on it.

But there are a lot of good things about them too. Your credit history and credit score improve greatly if they are used wisely. They offer a great flexibility in payment and are accepted almost anywhere. Credit cards have tons of security features like liability protection and insurance. They are great, almost a **necessity**, in the case of emergencies. When you need a little extra cash they are great because they give you time to catch back up during rough times. And last but not least credit cards don't generally have an annual fee like charge cards.

So there really isn't one clear winner amongst these cards. Each one has its own up and down. You must choose for yourself how you wish to spend, but hopefully this information will help arm you with the knowledge to make the right decision. Just remember, no matter which card you choose, spend and make payments responsibly.