

CREDIT CARDS AND DEBIT CARDS



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Are they the same?

Credit and debit cards look the same and are used in virtually the same way. However, there are some significant differences between them. The main difference is that with a debit card you spend your own money, while with a credit card you spend borrowed money. Both are important tools to have in your financial toolbox.

CREDIT CARD

By definition, spending with a credit card means you are spending money you don't have – it's a loan. Many people use credit cards and pay off their balances each month in full, incurring no fees or interest. Others carry balances from month to month, meaning they are paying interest on money they have already spent, and could be charged a fee for missing a payment. These "revolvers," as they are called in the credit card industry, are a gold mine for credit card companies, earning them billions of euros per year in interest and fees.

Why would you ever need to use a credit card?

Fraud protection is one important reason. Credit cards provide automatic, predictable fraud protection that limits your liability in case your card is stolen or used without your permission. Thanks to the Fair Credit Billing Act, you have little or no liability for unauthorized charges, damaged goods, or for merchandise that was never delivered. Credit card issuers also provide dispute settlement when you ordered something that wasn't what was promised or if a merchant refuses a refund. These protections are especially important for mail order transactions or in cases of identity theft.



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How to choose the right credit card for me?

There are a wide variety of credit card products and features. Almost all banks in Slovakia issue credit cards. An important thing to remember is, Credit card is not linked to your bank account. You may have a credit card without having bank account. It is important to shop around for options before deciding on a credit card. When choosing a credit card, look carefully at the following:

ANNUAL PERCENTAGE RATE (APR)	This is the interest rate you pay on the balance you have not paid off at the end of the month. Of course, it is best to pay your balance in full every month to avoid paying interest, but in case there are times when you cannot, it is best to search for the lowest interest rate possible. Beware! Some credit card companies offer you a low interest rate for a few months and then, increase it to a much higher rate.
FEES	Carefully review them before selecting a card. Fees vary widely among credit card companies and financial institutions, so find the best deal for you. The most common fees are:
Annual Fee	A fee that you pay every year to use your credit card. Some credit card companies do not charge an annual fee.
Application Fee	Cost of applying for a credit card. Some credit card companies do not charge an application fee.
Late Fee	A fee charged when you do not pay off your balance by the due date. Making late payments can also negatively affect your credit report.
Over-the-Limit Fee	A fee charged when you spend more than your credit limit (this includes all purchases and fees charged to your account).
PENALTY RATES	Avoid card offers that include penalty rates. This is when the credit card company charges you a higher rate if you make a late payment or spend more than your card limit, even just one time.
CREDIT LIMIT	The total amount you can spend on your card. For example, if you have a credit limit of €1,000, you cannot spend more than this amount. There is a fee if you exceed this limit.
Interest free PERIOD	The period of time you have to pay off the balance on your credit card before you are charged interest. Search for a credit card that offers a grace period. But, remember, people who carry a balance on their credit cards have no grace period.

Where can I get a credit card?

There are several ways you can get a credit card. No matter where you get your credit card, look carefully at the credit card features before making a decision.

- You probably receive credit card offers in the mail. In Europe in general, a huge number of offers are mailed via post or via email to consumers. Don't rush to apply for the first offer that you receive. Instead, try to find the card that is the best for you.
- Financial institutions, like banks, usually offer credit cards. This could be your best option because you can meet with someone to help you choose the best card for you.

Ako môžete rozumne používať svoju kreditnú kartu?

DO	DON'T
Pay your bills on time.	Pay your bills late
Never spend up to or more than your limit.	Spend more than your limit.
Remember, credit cards are not extra cash!	Apply for and use many credit cards.
Apply for and use three or fewer credit cards.	Keep a high balance on your credit card.
Only charge the amount you can pay at the end of the month. Pay your entire balance at the end of the month or as much as possible.	Constantly change credit cards.
Use your credit card over a long period of time to show consistency.	Forget to review your monthly statement for errors.
Read your monthly statement carefully and notify your credit card company of any errors right away.	

How do I get out of Credit card debt?

- **Stop Spending!** This is the most important step when you have debt. Think about expenses you can omit.

- Contact your credit card company or financial institution in advance to let them know if you won't be able to make your monthly payment on time. In some cases, they will assist you in temporarily adjusting your payment schedule and waive the late fee.
- Make a budget to calculate how you are going to pay off the debt. Look for areas to cut your spending and put more money toward paying off your debt.
- Pay more than your minimum payment every month.
- Pay off the debt on the card with the highest interest first.
- You might want to transfer balances on credit cards with high interest to the credit card with the lowest interest. Be sure to ask if there are any balance transfer fees.
- There are some non-profit organizations that will help you to consolidate your debt into one loan. The interest rate on the new loan could be lower or higher, depending on your credit history. So, weigh your options carefully.
- With a Debt Management Plan, you can make one payment that is distributed to the multiple accounts where you owe money.
- Beware of companies that promise you a quick fix for your debt. They might promise to "restructure" your debt. You will end up paying off your debt over a longer period of time with even more in fees and interest.

Caution!!!

Keep your credit card information private. Remember, never lend your card to another person, leave your cards or receipts in a visible place, sign blank receipts, write your account number on post cards, or give your account number over the phone unless you initiated the call and are dealing with a company with a good reputation.



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DEBIT CARD

Spending with a debit card means you're spending your money. It comes directly from your bank account. When the money is gone, it's gone. When used properly, spending with debit cards can be part of a solid strategy for spending within a budget and staying out of unplanned debt. Compared with the fraud protections of credit cards, your liability when using debit cards depends greatly on the policies of your financial institution. In the worst-case scenario, meaning you don't discover fraudulent charges for more than 60 days, you could be responsible for all charges. If you report fraudulent charges before the limit, you could be responsible for up to certain amount. Be sure to get full details from your bank, and keep in mind that these policies can vary over time. Further, many institutions offer generous protection policies, but limit it to the geographical area they serve, meaning an out of country charge may not be covered at all.

An important thing to remember is, Debit card is linked to your bank account. You have to have a bank account in order to have a Debit card.

What are my benefits of having a Debit card?

- You don't need great credit to have a debit card. Even if you find it nearly impossible to get a credit card, if you maintain a balance in your checking account you may still be able to get a debit card, allowing you the convenience of electronic transactions.
- Debit cards are linked to the deposits in a consumer's existing account, this reduces the possibility of spending money you don't have and then being subject to the interest and related fees associated with credit cards.
- Debit cards provide convenience and immediate access to funds everywhere payment cards are accepted, including online.
- Debit cards eliminate the time and money spent ordering, writing, mailing and reconciling check payments.
- Debit cards eliminate the risk of loss and theft associated with carrying cash and the time and money spent getting cash from ATMs and banks.
- Cashback purchases allow consumers to withdraw cash in the process of making their normal purchases, eliminating the need to stop at an ATM or bank.
- Some Debit cards offer consumer protection that limits liability if consumers notify the bank within certain days. Some companies, like Mastercard, provide even greater coverage with their "zero liability" protection.
- Some debit cards include consumer rewards for purchases made with the cards.
- Debit cards are a very efficient way to provide funds to children, family members and others who are away at school, traveling or living at a distance from the person who wants to provide financial support to them. An account with a local bank can be maintained regardless of where the card funds are used.
- Debit cards can provide the opportunity to reverse a charge for goods or services that consumers find unsatisfactory. Chargebacks are initiated by the consumer through the bank providing their card, in many cases without requiring direct confrontation with merchants or service providers.

What are my risks of having a Debit card?

- Unless it uses the Mastercard network, debit cards don't offer as much fraud protection as credit cards. Consumer liability is limited to some amount if consumers notify the bank within certain days, It can increasing to a higher amount and then up to the entire account balance if notified late.
- Overdraft fees can be problematic for debit card customers who exceed their account balances. Just like balancing a check book, keeping track of purchases to avoid overdraft fees is important.



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