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**Credit Card vs. Debit Card – What Are The Differences**

**By James H. Dimmitt**

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Ah, the "good old days". If you are a baby boomer, like me, then you probably remember how important it was to rush to the bank on payday. You had to get there before the teller lanes closed so that you could have your "cash allowance" for the week. Otherwise, if you needed cash you had to write a check, then go to the bank, and "cash" the check for real cash.

Fortunately the days of the mad rush to get cash from the bank are long gone. We now enjoy the convenience of using a nearby automatic teller machine (ATM) or you can even get "cash back" at your local grocery, hardware or convenience store.

The card you use at the ATM is known as a debit card. When debit cards first appeared it was easy to tell them apart from credit cards. Debit cards didn't have a credit card company logo on them; instead, they usually just had your bank name, your account number and your name.

Today debit cards look exactly like credit cards even carrying the same logos. Both types of cards can be swiped at the checkout counter, used to make purchases on the internet, or to pay for the fill-up at the gas pump.

When you use your debit card to make a purchase, it's just like using cash. The account that is attached to your debit card, in most cases your checking account, is automatically debited when you use your debit card. The cost of your purchase is deducted from the funds you have in that account.

On the other hand, when you use your credit card to make a purchase you are using someone's else's money, specifically the issuer of the credit card, usually a banking institution.

In effect, you agree to pay them back the money you borrowed to make your purchase. In addition you will also pay interest on the money "loaned" to you at the rate which you agreed to when you applied for their credit card. This is known as the annual percentage rate (APR).

## Credit Card vs. Debit Card – What Are The Differences

While the two cards might act and look alike, the levels of consumer protection that each type of card provides can be different.

Under federal law, if someone steals your credit card you're only responsible to pay the first \$50 of unauthorized charges. However, if you notify the credit card issuer before a thief is able to make any charges you may be free from all liability. If the credit card is not physically present when an unauthorized or fraudulent purchase is made, such as over the internet, you're also free from liability for those charges.

MasterCard and Visa offer zero-liability protection where you won't pay any charges if someone uses your credit card to make an unauthorized purchase.

The protection offered to debit card fraud is similar but with a few exceptions. For example, your

liability under federal law is limited to \$50, the same as for a credit card, but only if you notify the issuer within two business days of discovering the card's loss or theft. Your liability for debit card fraud can jump up to \$500 if you don't report the loss or theft within two business days.

And if you are the type of person that gives a passing glance to your monthly bank statement, you could be totally liable for any fraudulent debit card charges if you wait 60 days or more from the time your statement is mailed.

Visa and MasterCard zero-liability protection applies to your debit card but only for transactions that do not involve the use of your PIN (personal identification number).

Additional protection against fraudulent use of your credit or debit cards may be available through your homeowner's or renter's insurance. Check your policy or with your agent for more information about your coverage.

Also be aware that you should contact your card issuer by certified letter, return receipt requested, after you've contacted them by phone to protect your consumer rights.

As for which card to use for what type of purchase, most experts agree that you should use your debit card for the same type of purchases you'd make as if you were using cash. Therefore, it makes more sense to use your debit card than your credit card at the grocery store or gas station (provided you have sufficient funds to cover these purchases of course).

You should avoid using your debit card for any online purchase or for something which is expensive. Why? The main reason is that it is much easier to dispute a charge when you use your credit card. If your gold-plated, limited edition, hip-swinging Elvis wall clock arrives broken, your credit card company will remove the charge until the problem is resolved.

With your debit card you are stuck dealing with the merchant directly to resolve any problems with a purchase, even if your banking institution could really use a gold-plated, limited edition, hip-swinging Elvis wall clock of their very own.

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Author: James H. Dimmitt.

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## **Avoid Credit Card Debt**

**By Connie Barker**

One of the pitfalls of having a credit card is credit card debt. Credit cards can be easy to wrack up debt with, but if used properly they can also be a useful tool, especially in today's credit driven society and culture. One of the many problems with credit cards is that they are sometimes seen as extra money, when in fact, it is an unsecured loan. If you would like to avoid credit card debt, here are some tips.

Credit card debt can be extremely debilitating to anyone's credit rating. Being able to discipline yourself to spend conservatively with your credit card is very important. People usually get into trouble because they view their credit card as their personal bank account where they may have thousands of dollars sitting unused, in reality, a credit card is just an unsecured loan that must be paid back and is not unlimited in resources.

One of the first signs of problems of credit card debt occurs when you might be shocked at your high balance or if you are only able to pay the minimum payment instead of the majority of your balanced owed. If you notice that your balance is much higher than your current means to pay it off easily, stop using the credit card immediately. Take the card out of your wallet and place it on the side.

Another way you can avoid credit card debt is to make sure you read your statement each month and budget your payments accordingly. Set a limit for your credit card use. Keep one credit card in your wallet for special purchases or in case of an emergency. Don't keep your wallet filled with a half dozen credit cards; you will be tempted to spend much more than without them in your wallet.

Use your debit card. Debit cards look and feel like plastic, however you are using your money and not paying interest on any money that you make purchases with. Why pay interest on dinners that you ate 10 months ago. Credit cards can be wisely used for long term purchases such as a TV, appliance or dress, where you can still say to yourself that you have the item instead of gas, food and gambling where these items are long used up and gone.

Connie Barker is the owner of several financial websites including

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