

Credit or Debit?



In addition to cash and a bank account, most people own some type of plastic, like a debit card, credit card or combination of the two. What you do with these tools has serious repercussions on your ability to establish credit history and to avoid developing a borrowing habit.

Conservative financial experts recommend either having only a debit card or having both with the

credit card reserved for occasional major payments and then immediately paid off. This advice is often given to people who have accrued a large amount of debt.

Starting out with one of each card can help you develop responsible spending habits and provide convenience. Consider the rewards offered by both cards, especially if you travel or make large purchases often.

The main advantage of only using a debit card regularly is you spend money you already have. Debit cards can be tied to your checking account where paychecks are automatically deposited.

Debit cards have benefits like no limit on the amount of transactions and rewards based on frequent use. You have the ability to spend without carrying cash and the money is immediately withdrawn from your account.

Because using the card is so easy, it is vital that you don't overspend and lose track of how often you're spending with this account. **If you're not paying attention, overdraft fees can drain your account.**

Some hotels, car rental companies and other businesses require that you use a credit card. Getting an account designed for occasional use can be a wise decision. You can establish your credit history and take advantage of the time buffer between making a purchase and paying your bill. Another advantage of using credit is the

Work cited: Ritchie, A. (2022, December 22). *Financial Literacy*. Annuity.org. Retrieved January 27, 2023, from <https://www.annuity.org/financial-literacy/>

added protections offered by the issuer. For online shopping and larger purchases, a credit card can be a safer option than a debit card.

Relying on a credit card can lead to taking on serious debt. Should you choose to own a credit card, the best method of action is paying in full every month. It is likely you will already be paying interest on your purchases and the more time you carry over a balance from month to month, the more interest you will pay.