



Paying With Plastic

Paper or plastic? There are several ways to pay for a purchase. Paper can include cash or money orders. Plastic can include a credit card, charge card, ATM card, or a debit card. They look so alike. What's the difference between these types of plastic?



A charge card – A charge card is a type of credit card. You can use a charge card to buy things but you must pay the balance in full each time you get your statement. There is no annual percentage rate (APR) because you cannot carry a balance. Examples are Diners Club and American Express.

Costs

- There often is an annual fee.

Pitfalls

- Not paying what you owe each month leads to penalties.

A credit card – You can use a credit card to buy things and pay for them over time. But remember, buying with a credit card is a loan – you have to pay the money back. Examples are Visa and MasterCard. They are issued by financial institutions.

Costs

- Some issuers charge an annual fee.
- If you carry a balance (you don't pay the whole amount when the statement comes to you), you will owe a finance charge. The finance charge depends in part on what you still owe and the annual percentage rate (APR).

Pitfalls

- Not paying what you owe in full each month adds finance charges. If you pay only the minimum payment, it may take more money to pay the issuer back than the price of the item you purchased.
- If you report a credit card as lost or stolen, you can't lose more than \$50 (that is per card you lose).
- You will incur extra charges if you pay late or go over your limit so always pay your bills on time and limit your spending.



Debit card/ATM – this card allows you to make purchases at "point of sale" terminals at stores. The money comes directly from your checking or savings account electronically. Your Automated Teller Machine card is a type of debit card. Many times the debit card is also an ATM card combined. They can also be called a check card.

Costs

- Some ATMs charge a fee if you are not a member of the ATM network or are making a transaction at a remote location.

Pitfalls

- The transaction is immediate. Be sure to have the money in your account before making a purchase.
- Take care of your ATM or debit card. Know where it is at all times. If you lose it, report it as soon as possible. If you report an ATM or debit card missing to the card issuer before it's used without your permission, you can't be held responsible for any unauthorized withdrawals. If unauthorized use occurs before you report it, the amount you can be held responsible for depends upon how quickly you report the loss to the card issuer.
- Choose a PIN for your ATM or debit card that's different from your address, telephone number, Social Security number, or birth date. This will make it more difficult for a thief to use your card.
- Keep and compare your receipts for all types of electronic transactions with your periodic statements. That way, you can find errors or unauthorized transfers and report them.
- Don't carry your PIN in your wallet or purse or write it on your ATM or debit card.
- Never write your PIN on the outside of a deposit slip, an envelope, or other papers that could be easily lost or seen.
- Carefully check ATM or debit card transactions before you enter the PIN or before you sign the receipt; the funds for this item will be fairly quickly transferred out of your checking or other deposit account.

Did You Know?

Do these look familiar? You can use these with your **credit** card or **debit** card to make purchases at a store or at the gas pump.



TIP - If you use your **debit** card don't be confused when the clerk says, "Debit or Credit?" If your debit card has a Visa or MasterCard symbol on it, you can run a debit card as a credit transaction but remember, as with any debit transaction, the payment is still made immediately from your banking account to the merchant.