

Debit cards have different protections and uses. As shown in last month's issue, sometimes they're not the best choice.

Sometimes reaching for your wallet is like a multiple choice test: How do you really want to pay? While credit cards and debit cards may look almost identical, not all plastic is the same.

"It's important that consumers understand the difference between a debit card and a credit card," says a director of the Fraud Center for the National Consumers League in Washington, D.C. There's a difference in how the transactions are processed and the protections offered to consumers when they use them.

While debit cards and credit cards each have advantages, each is also better suited to certain situations. And since a debit card is a direct line to your bank account, there are places where it can be wise to avoid handing it over -- if for no other reason than complete peace of mind. Here are a few additional places & situations where it can pay to leave that debit card in your wallet.

1. You're a New Customer Online or in the real world, if you're a first-time customer in a store, skip the debit card the first few times you buy. That way, you get a feel for how the business is run, how you're treated & the quality of the merchandise before you hand over a card that links to your checking account.

2. Buy Now, Take Delivery Later Buying now but taking delivery days or weeks from now? A credit card offers dispute rights that a debit card typically does not. "It may be an outfit you're familiar with and trust, but something might go wrong, and you need protection." But be aware that some cards will limit the protection to a specific time period. So settle any problems as soon as possible.

3. Recurring Payments We've all heard the urban legend about the gym that won't stop billing an ex-member's credit card. Now imagine the charges aren't going onto your card, but instead coming right out of your bank account. Another reason not to use the debit card for recurring charges: your own memory and math skills. Forget to deduct that automatic bill payment from your checkbook one month, and you could either face fees or embarrassment (depending on whether you've opted to allow overdraft protection or not). So if you don't keep a cash buffer in your account, "to protect yourself from over-limit fees, you may want to think about using a credit card" for recurring payments.

4. Future Travel Book your travel with a check card, and "they debit it immediately," says a financial expert. So if you're buying travel that you won't use for six months or making a reservation for a few weeks from now, you'll be out the money immediately. Another factor to consider: Hotels aren't immune to hackers and data breaches, and several name-brand establishments have suffered the problem recently. Do you want your debit card information "to sit in a system for four months, waiting for you to arrive?" It does not sound like a great idea.

In many cases, it is more wise to use credit instead of debit. While you may want the money taken right out of your account, it may be safer to budget better with your credit card. See More Tips in last month's and next month's issue! Be Safe & Wise!

Modernize Your Money Management

Although the year is 2010, many of us are still working our finances like 25 years ago. There is no better time than now to update our financial practices.

Minimize paper statements. Un-stuff your mailbox and save some trees—and money – by signing up to get as many monthly statements as possible online. Look for free personal-finance services like Mint.com to organize all your bills in one place and help you set up automatic payments or calendar alerts. If you would rather keep track yourself, set reminders at least two or three times a month to check your online statements directly.

Savings. With online banking, you could save more than \$60 a year on monthly fees alone. With less paper statements, you could save yourself the hassle of sorting through endless documents. Managing your accounts electronically takes just minutes a week.

* Act happy—even if you aren't yet. It will cheer you and everyone around you.

* Seek out positive distractions. Think about what always gives you pleasure and do it. Don't wait for the activity to come to you—buy the tickets, call your friend, get on a bike.

How To Get Happy!

* Do one thing at a time—at least for one or two hours a day. Multitasking can make you feel tense. Focusing on one activity is calming and allows you to enjoy the experience fully.

* Spend more time with friends and loved ones. Enjoying close relationships is the number one predictor of happiness.

* Take action. Being passive tends to make you feel worse. Choosing to change, even with a very small step, is itself a mood-enhancer.

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\$250,000



CASH vs. CREDIT & DEBIT

Moreover, cards are as widely accepted as cash - with the exception of a few shops. And yet, from a personal finance view, cash is almost always the better choice for making a purchase. Here's why:

1. Overpaying One of the drawbacks of credit and debit cards is that they encourage you to spend more than you intend to by giving you easy access to more credit. With cash, spending more than you intended requires going to a bank or ATM to get more and then going back to the store to complete the purchase. For most people, this provides time to reconsider whether their budgets can handle any extra strain. Generally speaking, only carrying the cash you are prepared to pay for a given product will prevent you from buying the next level up and paying for features you don't need. This works for small-scale purchases, but buying a computer or a car can involve large amounts of cash that probably shouldn't be carried around. If it's a large amount of cash, use your debit card as a credit card because you are spending money you have rather than money you don't.



Why Paying In CASH is SMARTER!

2. Over-Shopping Just as cards encourage overpaying for one item, they also allow you to buy more items than you mean to. Stores are set up to make products appealing in order to persuade shoppers to buy more. Sometimes a shopping list isn't enough to protect you from impulsive buying. According to one expert, people will spend more with a credit card compared to cash. In fact, a Dunn & Bradstreet study found that people spend 12-18% more when using credit cards than when using cash. And McDonald's found that the average transaction rose from \$4.50 to \$7 when customers used plastic instead of cash. To avoid this, only carry enough cash to buy the things on your list and limit the damage. This is the best way to keep shopping within your budget. If you are motivated, you will find discounts or cheaper alternatives to your regular brands to make that cash go further and maybe earn yourself a luxury item.



3. Cash Vs. Credit Cards Cash, for the purposes of this article, is strictly limited to money you have already earned and is sitting there for you to use. Using your Visa to take a cash advance and then carrying the cash with you will not solve the essential problem of using high-interest debt to cover your expenses. Cash has one very clear advantage over using a credit card: If you buy something on your credit card and end up carrying a balance, or only make the minimum payment each month, you will incur interest at a rate of 15% or more of your purchase (which can have you paying \$15 or more for every \$100 you spend). If you save up enough cash for the same purchase, you are giving yourself the equivalent of a 15% discount by not using your card.



Should You Pay In Cash?

4. Cash Vs. Debit Cards

If this article were only dealing with cash as a better alternative to credit cards, no one would dispute it. In contrast, debit cards seem to enjoy a protected status despite the overkill on ATM fees and foreign ATM fees. Forgetting the fees, a debit card's main failure is that it trivializes purchases. Being a square of plastic, it is hard to tell how much of your money is flowing through your debit card. For most people it becomes a matter of \$2 here, \$6 there, another \$4 over here and so on until they give up keeping track of how much has been spent in a day - let alone a month. Then it's a shock to their systems when the monthly statement comes and it's far too late to do any good. With cash, you can see the damage as it is done and hopefully curtail your spending before it gets out of control.



Conclusion Using a credit or debit card offers more security than cash in most cases. For large purchases, carrying cash is often not an option and writing a check or getting a bank draft may be more trouble than it is worth for some. Furthermore, if a debit card is used responsibly, it is an ideal replacement for cash. A credit card can also be a convenient tool, but it's only a fair substitute for cash when the balance is paid in full at the end of each month. Otherwise, your ultimate reward for paying with your credit card will be paying off an even bigger debt. If you struggle to avoid overspending, shopping with cash is the best way to stick to your budget and limit impulsive spending.

COMPLIANCE NOTICE !!!

The credit union may report information about your accounts to credit bureaus. Late payments, missed payments or other defaults on your account may be reflected in your credit report.

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