

Debit Card Basics

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I can't live without my debit card. It's convenient and easy to use. It's widely accepted around the world and at many places where personal checks are not accepted. Still, many consumers do not understand how their debit card works.

What could be so confusing about a piece of plastic?

Some of you may wonder where the confusion lies... Well, some folks think that Debit cards look a lot like credit cards or even an ATM (automated teller machine) card. Hmm...

A Debit Card is not a Credit Card

A debit card is not a credit card! With a credit card, it is easy to forget that you actually own the money you are spending. Later, the painful reality hits when the bill comes. Over time you can accumulate huge debts from irresponsible use of credit cards. This is estimated to be about \$750 billion dollars in the US alone.

There's one key difference between a credit and a debit card. When you use a debit card, your money is quickly deducted from your account. Debit cards can instill financial discipline because all your purchases and expenses are directly deducted from your checking account. This helps you avoid spending money you don't have.

TWO WAYS TO USE A DEBIT CARD

1. Like an ATM card
2. Buy stuff and withdraw cash at the same time

There are two types of transactions you can do with a debit card. First, you can use your debit card at an ATM – just as if it were an ATM card. Just enter a personal identification code (PIN) and funds are electronically subtracted from your account. As you walk away with cash in hand, don't forget your card and receipt when you leave the machine!

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But, a Debit Card is much more than just an ATM card. The second type of Debit Transaction is called A "Point-of-Sale" transaction. This is where you present your card in a store to buy something. The money used to pay for the transaction is deducted from your checking account. You can also withdraw cash at the same time when you use your PIN. This cash comes out of your checking account along with your purchase-- so don't forget to write down the total amount!

A Debit Card is More Secure Than an ATM Card

Now, if you are concerned with security... Sign for transactions instead of using your PIN. Visa's Zero Liability policy guarantees that you won't be held responsible for fraudulent charges made with your card or account information. You won't get that on an ATM card!

A Helpful Tip

Here's a helpful tip: On the back of your card, write "Ask for my ID" in a permanent marker so the store clerk will compare signatures on your receipt and ID. Now, we know some store clerks are oblivious to security so if they don't ask for your ID, then you may need to ask them to ask you.

A Debit Card's Best Kept Secret

And, the last reason I can't live without my debit card is not very well known to consumers... I can get a cash advance at a financial institution with a debit card. You never know when you may have an emergency situation where you need the cash so keep this in mind.

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