

# Debit Cards

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## What are Debit Cards?

Debit cards look a lot like credit cards. You can use them to purchase items at most of the same places as credit cards, as well as get cash from ATMs. Unlike credit cards, they withdraw money directly from your checking account. If the price exceeds the balance in your account, the transaction will likely be denied.

## Advantages of Debit Cards

- ☒ Debit cards are easier to use when traveling. In many places, they are accepted more readily than checks.
- ☒ They are easier to get than a credit card. This is especially true for younger people who may not have the income or credit history to obtain a credit card.
- ☒ With a debit card, you do not have to carry around cash or your checkbook.
- ☒ If your debit card is lost or stolen and you report it to the financial institution within two days of discovery, generally you are liable for a maximum of \$50. That amount can increase to \$500 if you don't report it for up to 60 days. Policies vary, so check with your debit card company, and also ask how quickly they will restore the missing funds to your account.

## Read the Fine Print

Debit cards sound simple, but make sure you understand the fees for different services. Find out what fees you will be charged for having and using a debit card.

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## Overdraft Protection

- ☒ Many allow users to overdraw on their accounts, however then the user is charged a fee. If you are not aware that your card has the overdraft feature, the fines can quickly add up.
- ☒ Other debit cards entitle the holder to a credit line. While this feature may protect the holder from overdraft fees, it may also come with a very high interest rate.
- ☒ Some banks only provide credit for overdrafts in \$100 increments. This means that if you spend \$201, you will be charged interest for \$300.
- ☒ There may be activation fees if the credit is never used or monthly and annual fees if it is used regularly.

## Other Things to Watch Out for:

When you purchase something on your debit card where the total amount is unknown, the merchant may put a hold on your account for more than what you will typically spend. For example, when you fill your car with gas or reserve a hotel room, your account is being charged more money than you owe the merchant. While these charges will clear, they may take a while to do so, and in the meantime you can be charged for bouncing checks, because although you have money in the account, the money is on hold.

Find out more at: [www.wiserwomen.org](http://www.wiserwomen.org)

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