



Plastic Surgery

Paper or plastic? It's not quite the same question as at the supermarket. Paying with plastic can be convenient compared to paper transactions of cash and checks. Many consumers carry both debit and credit cards for convenience, but not all "plastic" is the same! Remember these differences and perform a little "plastic surgery" to effectively manage your debt.

Credit

Credit can be important in case of an emergency. Credit makes it possible to use an item – like an appliance – while you are paying for it. Credit may allow you to take advantage of special bargains and sales. Buying on credit may make it easier to return items or get a refund. There are many appealing reasons to use credit.

You need to use credit in order to develop a credit history. Your credit history is a record of credit management based on purchases you've made. This record is commonly known as a credit score. High scores represent good credit, and low scores represent bad credit. You should aim for the highest credit score possible.

Being over-reliant on credit has its drawbacks, however.

Using credit costs money, and paying interest on purchases adds up quickly. Fees and penalties add even more to the cost. Credit can tempt you to overbuy or buy on impulse because it's convenient. Purchasing items on credit can tie up future income because you must dedicate resources to pay back the debt. Overspending with credit can lead to financial stress or even bankruptcy.

Ways to save with "plastic surgery"

- Shop for the lowest interest rate.
- Pay off balances quickly to reduce interest payments.
- Pay bills on time to avoid late fees.
- Use credit only when you really need it!

Debit

Paying with a debit card can be faster and easier than writing a check. Unlike using a credit card, paying with debit won't rack up interest charges. Carrying a debit card can be easier and safer than carrying cash.

If you have a debit card, your bank will ask if you want to opt-in for overdraft spending. If you opt-in, the bank will charge an overdraft fee when you spend more than you have in your account. If not, purchases will be declined when your account balance doesn't cover the full amount.

Some merchants may block or hold more than the actual amount of the purchase. This happens when the full cost isn't known at the time the card is swiped. Hotels, car rental companies and even gas stations commonly hold additional funds. The hold may be released as soon as the transaction is complete, or it may last up to three days.

Ways to save with "plastic surgery"

- Record all transactions to keep track of how much you spend.
- Monitor your account balance so you don't pay overdraft fees or have purchases declined.
- Avoid additional fees. Know the transaction fees charged by your bank. Fees may vary depending on the type of account and where you use the card.

Keeping Cards Safe

How can you keep your credit and debit cards safe? Follow a few simple rules:

- Take care of your cards. Know where they are at all times. If you lose one, report the loss immediately.
- Choose a PIN that's not your address, telephone number, Social Security number or birth date. Never carry your PIN with your card.
- Keep and compare all receipts with your monthly statement. Immediately report any errors or unauthorized transactions.

Card Checkup

| | YES | NO |
|---|-----|----|
| I don't charge more than I can afford. | | |
| I pay more than the minimum monthly payment on credit accounts. | | |
| I pay my bills on time. | | |
| I check my credit statements to make sure charges are accurate. | | |
| I check my bank statements to make sure debits are accurate. | | |
| I record my debit card transactions and monitor my balance. | | |
| I know the transaction fees for using my debit card. | | |
| I avoid overdraft charges. | | |
| My PIN numbers are easy for me to remember but difficult for others to guess. | | |
| I know who to contact if a card is lost or stolen. | | |

References

University of Arkansas Division of Agriculture, Cooperative Extension Service Fact Sheets
FSFCS41, Managing Credit, and FSFCS53, Credit and Debit Card Register, www.uaex.uada.edu
 University of Nebraska – Lincoln; *Family Finance: Credit and Debt*, <http://southeast.unl.edu/web/hfc/credit>

Author

Laura Hendrix, AFC® (Accredited Financial Counselor), is associate professor - personal finance and consumer economics with the University of Arkansas System Division of Agriculture, Little Rock.

Printed by University of Arkansas Cooperative Extension Service Printing Services.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Director, Cooperative Extension Service, University of Arkansas. The University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services without regard to race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer. FCS722-PD-5-2019R