

Plastic Surgery

Paying with plastic can be convenient. Many consumers have both debit and credit cards, but not all “plastic” is the same! Remember these differences and perform a little “plastic surgery” to effectively manage your debt.

Solve the Money Mystery

Credit

There are many appealing reasons to use credit. 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. Credit can help in an emergency.

You need to use credit to develop a credit history. Your credit history is a record of money management based on purchases and payments 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.

However, being overly reliant on credit has disadvantages.

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 or monthly to avoid interest completely.
- Pay bills on time to avoid late fees.
- Use credit only when you really need it!

Debit

Paying with a debit card can be just as easy as using a credit card. Debit cards take money from your bank or credit union account to pay for purchases. Unlike using a credit card, paying with debit won’t rack up interest charges.

There are sometimes fees for using your debit card at a financial institution other than the one associated with the card.

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 over-draft 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 vendors 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 gas stations commonly hold additional funds. The hold may be released as soon as the transaction is complete, or it may take several days.

Ways to Save with “Plastic Surgery”

- 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.
- Compare 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 monitor balances to avoid overspending.		
I monitor accounts for unauthorized spending.		
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.		

Contributors

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References

University of Arkansas System Division of Agriculture, Cooperative Extension Service Fact Sheets [FSFCS41](#), [Managing Credit](#).