



## Cash, Credit, or Debit?

There are many pros and cons for each of the different payment methods available for your spending needs. Let's take a look at when it's best to use cash, credit, or debit for your purchases.

**When to use cash.** Cash is the best option for small transactions. It's also helpful when shopping at places that don't accept credit or debit cards. Additionally, using cash can help you stick to your budget, as it provides a physical representation of how much money you've spent and what you have left. Cash is also beneficial if you have trouble sticking to a budget. By carrying cash, you won't be tempted to make impulse purchases and overspend. Supporting small businesses is another great reason to use cash. Some small businesses, like food trucks, may only accept cash and they might even offer discounts for paying with cash.

While there are many benefits to using cash, there are some disadvantages, too. First, if your cash is lost or stolen, there is no recourse for its recovery. Once it's gone, it's gone. Also, cash offers no purchase protection and there is no zero-fraud liability.

**When to use a credit card.** When used responsibly, credit cards can be a great option for large or recurring purchases. Here are some examples of when you should consider using your credit card:

- **Large Purchases:** Most credit cards offer cash back or reward programs that can help you save money. And, many cards offer extended warranties and purchase protection, which can be beneficial when making expensive purchases.
- **Recurring Purchases:** If you have recurring bills like utilities, insurance premiums, or subscription services, a credit card makes it easy to set up automatic payments. This can help you stay on top of your bills, avoid late fees, and earn additional cash back rewards and points.
- **Rewards:** Many credit card programs offer rewards such as cash back, points, or airline miles that can be redeemed for merchandise or travel. If you're able to pay off your balances in full each month, you can take advantage of these rewards without accruing any interest charges.
- **Building Credit:** Using a credit card responsibly and making on-time payments can help you build your credit score over time. This will be beneficial when applying for loans or other types of credit in the future.

It's a best practice to charge only what you can afford to pay off in full each month. Using your credit card wisely in this manner will help you avoid going into debt, which is the obvious drawback for using this payment method.

**When to use a debit card.** Debit cards allow you to have the convenience of plastic without the risk of going into debt. Since you are using money from your checking account, you can only spend what you have available, making it a great budgeting tool. Additionally, debit cards offer some level of protection against fraud and theft. If your card is lost or stolen, you should report it immediately so it can be canceled and reissued.

The downside of using a debit card is that it typically doesn't offer the rewards or perks of a credit card. Furthermore, debit cards may not provide the same level of purchase protection or fraud liability as credit cards, either.

In general, it's important to choose the payment method that is most convenient and best fits your needs. All methods of payment have their advantages and disadvantages, so it's important to weigh your options carefully.