

## What's the difference between a credit card and a debit card?

When you pay for clothes in a store or dinner at a restaurant, you might use either a credit card or a debit card. In your mind, they may be the same. But there are differences to be aware of.

- For example, with a credit card, the money is not immediately withdrawn from your bank account. As long as you pay back the issuer within the stated period, you won't be charged interest on the money you owe. But you don't want to make a late payment – interest can build up quickly on credit cards.
- In contrast, debit cards are linked to your personal bank account, so you're using your own money and the charges are automatically deducted from your account. Because you don't carry a balance on the card, you're more likely to stick with your budget and not overspend. However, you might be charged extra fees on top of interest for any overdrafts.

**Another consideration:** Federal laws protect you in the event you need to dispute credit card charges and usually cap your liability at \$50. Debit cards offer fewer protections than credit cards, including a sliding scale of liability depending on when you notify your financial institution.

**Which card is best for you?** Generally, a mix of the two is a good compromise. You can use a credit card judiciously to bolster your credit, while still paying for everyday purchases with a debit card. Contact us at (888) 388-1040 for answers to your financial questions. We're here to help.

NOTE: This article is written to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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