

6.14(B)

distinguish between debit cards and credit cards

INTERVENE

<1 min

| Credit Cards | Debit Cards |
|---|---|
| Money used is a loan from the bank. | Money used is from your bank account. |
| The money needs to be repaid within a stipulated time. | No such requirement because it is your own money. |
| There is an interest rate charged if there is a default on the repayment. | There is no interest charged on transactions. |
| A bill is generated each month. | No bill generated. Refer account statement. |
| Affects your credit score negatively if you default on payments. | It does not affect your credit score. |
| Useful for any monetary emergency. | Best for daily purchases such as household items and groceries. |

1 min

Cards Used as Money



You've probably seen cards that you have to “recharge” with money at places like arcades

You put money into a machine, and a card pops out. You can use that card until money runs out. **What happens when there's nothing left on the card?**

Debit Cards

- Debit cards are very similar to the kind of card you see at Chuck e Cheese or Dave N Busters.
- It knows how much money you have in your checking account. When you spend money, it reduces the amount of money you have in your checking account.
- Example) You have 500 dollars in a checking account. You swipe the debit card to buy a video game for 20 dollars. Now you have 480 in the account. If you spend the other 480 dollars, your card will probably be declined for any future purchase – until you put more money into your checking account

Disney Bracelet

- This is a picture of someone scanning a bracelet at Disney World.
- The bracelet works differently from the other cards we've seen.
- You can buy food, drinks, and items from the gift store
- But don't have to charge it up with more money.
- **You scan now, get what you want, and pay later.**



Credit Card

- That's how a credit card works too.
- First you get approved for a line of credit. Let's say the bank let's you spend up to 5,000 dollars.
- Then, you are able to use that credit card to buy whatever you need within the limit of 5,000 dollars.
- But be careful, the bank charges interest if you don't pay back what you spent within 30 days.
- This means if you spend 100 dollars with your credit card and don't pay the bank back in 30 days, you may owe the 120 dollars instead of just 100. And the interest will keep climbing if you don't pay it back again the next month.

When to use Credit vs Debit

- Use credit cards for emergencies and big purchases, generally for times when you don't have enough money in your checking account (debit card).
- Use debit cards for everyday expenses, like eating out, paying monthly bills, buying a soda at the vending machine.

I Do

Mr. Lloyd wants to buy a new television, but he does not have enough money in his bank account to pay for one. Which of these is NOT an option for Mr. Lloyd?

- F He can use his credit card to buy the television now.
- G He can save money and pay cash for the television at a later date.
- H He can use his debit card to buy the television now.
- J He can save money and use his debit card to buy the television at a later date.

<5 min

We do - Question 1

Which statement best describes purchases made with a debit card?

- A** Purchases made with this card are subject to interest.
- B** Purchases made with this card can be paid over time.
- C** Purchases made with this card are withdrawn directly from a bank account.
- D** Purchases made with this card are subject to a credit limit.

<5 min

We Do – Question 2

Which statement is true about debit cards and credit cards?

- A. Money spent by debit cards is usually held in checking accounts.
- B. Money spent by credit cards is usually held in checking accounts.
- C. Money spent through credit almost never requires repayment.
- D. Money spent through debit card always carries interest.

<5 min

Which of the following statements regarding credit cards and debit cards is true?

- A. Credit cards carry interest and should be used every day.
- B. Debit cards carry interest and should be used sparingly.
- C. Credit cards carry interest and should be used sparingly.
- D. Credit cards carry interest and should never be used.

<5 min

All these statements describe purchases made with credit card, except:

- I. Purchases made with this card are subject to a credit limit.
- II. Purchases made with this card can be paid over time
- III. Purchases made with this card withdraw money directly from your bank account.
- IV. Purchases made with this card can accumulate interest.

- A. Statement I
- B. Statement III
- C. Statement II
- D. Statement IV

Q5

Which statement best describes purchases made with credit card?

- A. Purchases made with this card withdraw funds directly from bank account.
- B. Purchases made with this card can be made only on the amount you have on your bank account.
- C. Purchases made with this card are subject to a credit limit.
- D. None of the above

You Do

- Go back to Intervene to take your quiz!

Answer Key

- I Do – H
- We do 1 – C
- We do 2 – A
- We do 3 – C
- We do 4 – B
- We do 5 - C