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Using Your Debit Card Wisely

For many consumers, the debit card is one of the best new products of this generation. The debit card may, at first seem like a welcome alternative to credit, because it doesn't carry mounting interest charges. The potential danger of using your debit card is that it immediately decreases the actual cash you have available to pay ongoing expenses. Unless you are carefully keeping track of your bank balance, it can quickly and easily be depleted.

Those who use their debit card without keeping track of the cash leaving their bank account, may quickly find themselves without funds for day-to-day cash expenses like rent, transportation or food. That in turn may lead them to using – and starting to depend on – credit to cover items for which they would normally have paid cash.

Statistics recently released by the Interac Association showed that use of the direct debit card has increased astronomically in Canada since the national roll out of the service in 1994.

The rules for using debit cards wisely are much the same as for many other money management issues. The most important of those rules is to make a budget and stick to it. When you keep in mind and adhere to how much you have to spend, then it may make sense to take advantage of the convenience and security of a debit card as a substitute for cash.

Since an important part of good budgeting is good record keeping, another important tip to managing your debit card use is to record how much you spend every time you use your debit card, so that you stay well aware of your true cash on hand. That's often easier to remember when you're writing a cheque than when your transaction is totally electronic. Also, be well aware of any service charges your financial institution applies to direct debit transactions and factor them into your budget.

Debit cards can offer many advantages to consumers over cash, credit and cheques however, keep in mind that although no cash actually changes hands, debit cards do mean you are paying *now*.