

Comparison Chart of Types of Cards to Use for Purchases

The logo for NDI (National Debt Institute) consists of the lowercase letters "ndi" in a white, sans-serif font, centered within a teal square. A thin teal horizontal line is positioned below the square.

Paying for products and services is a part of our everyday life and how to pay for things that we need or want is a decision that we must make.

Cards, such as debit, credit and prepaid cards, have replaced cash and are becoming more and more the usual way to pay for things.

It is very important to know the different types of cards, the fees associated with each card and the effect each card could have on your financial wellness. The chart below provides information about each type of card to help you make an informed decision on which card will work best for you.

Definitions

Debit Card: A card that gives you access to your savings or checking account. You can use it to pay for purchases or bills. The money is taken directly from the money you have deposited in your bank account. Most debit cards do not have fees except for overdraft fees. You can also use your debit card to withdraw cash via an ATM from your checking or savings account. A debit card might look like a credit card, but it's not the same.

Credit Card: A card that allows you to borrow a certain amount of money from the bank, depending on your credit limit. You can use it to buy almost anything. Minimum monthly balances are always required and, if you do not pay the full balance each month, you are charged interest on the remaining balance and sometimes fees depending on the credit card. You can use a credit card to withdraw cash sometimes, but there is often a fee associated with this type of transaction.

Prepaid Card: A card that you can load money on to use for purchases. These cards can have fees initially when you buy them and some may charge fees for reloading and when making purchases. It is important to read the disclosures on all prepaid cards before purchasing them. You also may not be able to withdraw money from ATMs with a prepaid card, so once you put money on them you cannot get it back unless you use the card to purchase something.

	DEBIT CARD	CREDIT CARD	PREPAID CARD
Type of companies that issue cards	Bank, Credit Union	Bank, Credit Union, Financial Service Provider	Bank, Credit Union, Financial Service Provider, Stores (e.g., Walmart)
Initial Fee	No	Yes, sometimes	Yes, sometimes
Reoccurring Fees	No	Interest is charged on any unpaid balance monthly	May have high fees to put more money on the card (reload), possible monthly fees and possible fees for each transaction
Annual / monthly fee	No	Yes, sometimes an annual fee	Yes, sometimes a monthly fee or a fee may be applied if the balance is not used in a certain amount of time
Money comes from	Your own money in your bank account	Money borrowed from the lender	Your money when you buy or reload the card. This type of card is NOT linked to a bank account
Who can have one	Anyone with a bank account	Must apply and have a good credit score	Anyone can buy one
Impact on credit score	No	Yes, payment history is reported and can positively or negatively impact credit	No, not reported to credit bureaus
Transaction Fee (fee charged to card when making a purchase)	No or limited	No	Some prepaid cards do charge a transaction fee when you used the card. It is important to check with the prepaid card company for specifics on if they charge fees when making a purchase.
Overdrafts	Yes, if you spend more money than is in your account, the bank can charge you a fee	No, you cannot spend more than your credit limit	No, you cannot spend more money than you load on the card
Cash from ATMs	Yes, fees may apply	Sometimes with fees	Yes, sometimes, but you must get a PIN to take out money and there is a fee
Able to pay bills	Yes	Yes	Sometimes
Spending limit	Money you have in your bank account	Credit limit the card issuer gives you	Limited to the amount of money you put on the card when purchasing products or services or reloading