

Click to verify



your credit card company on the back of your card. They'll likely put a stop on your current card, issue you a new card with a new number and investigate the charges immediately. Change Your Account Passwords — If it's not clear how your information was obtained, make sure you change your password to your lender's website just to be safe. Notify the Credit Bureaus — If you notice unauthorized charges on more than 1 card or account, be sure to contact the major credit bureaus (Equifax, Experian, and TransUnion) to alert them and request a credit freeze. This can help stop any more accounts from being opened under your name. Contact the Federal Trade Commission (If Necessary) — If you have encountered fraud on more than 1 account, it could be considered identity theft. This should also be reported to the Federal Trade Commission. It can assist you in developing a plan to prevent further issues. Call the Police (If Necessary) — If you notice a pattern of credit card fraud, the police can use your records to open an investigation. Monitor Your Statements and Credit Reports — You should keep monitoring your credit card statements for a few months as fraudulent charges can appear for months after the initial occurrence. Your credit report can show if any new fraudulent accounts have been opened under your name. Check Your Online Shopping Sites — Most of us store credit card information with our favorite online shopping stores. It might be a good idea to remove this information or, at the minimum, change your passwords to these websites. Under the FCBA, your maximum liability for fraudulent credit card transactions is \$50. If you report your card lost or stolen before any fraudulent transactions occur, your liability is zero. Many credit cards go 1 step further and promise zero liability for all fraudulent transactions. There is the potential for these zero-liability policies to be voided in cases of cardholder carelessness (for example, you leave your credit card on a counter), but federal law will still offer you protection regardless. After you report an unauthorized purchase to your credit card issuer, the charge will be removed from your outstanding balance while it is investigated. The important thing is that you have lost no money when a fraudulent transaction occurs on your credit card. You won't have to make a payment for this transaction, so it will never affect your bank account. This is the primary area where debit and credit card protections vary. Each customer purchases the same item from a local store for \$100. One uses a standard debit card, and the other uses a credit card. The debit card customer swipes their card, and their bank immediately places a \$100 hold on his account, preventing them from spending it on something else. Over the next few days, the store sends the transaction details to the bank, which electronically transfers the funds to the store. The second customer uses a traditional credit card. When they swipe their card, the credit card company automatically adds the \$100 purchase price to the customer's outstanding balance. The customer has until the next billing due date to reimburse the credit card company by paying the entire \$100. If they only reimburse a portion of this payment (aka minimum payment), interest fees will be added to the unpaid portion until the entire amount is paid off. The type of card that's best for you will vary depending on your spending habits and how you plan to use it. As a quick recap, when considering whether to use a credit or debit card: Consider using credit cards for hotel reservations and car rentals. For daily purchases, your debit card can help you stick to your budget. If you are going to take advantage of rewards on your credit card, be sure to pay off the balance in full each month. If you think you have a history of overspending, then a debit card is probably a better choice. If you're comfortable paying off your balance in full every month, then a credit card might be a better option as you can build credit and earn rewards. However, if you do not make timely payments, any rewards you earn will be offset by the additional interest expenses you will face. Keep in mind that individuals can have more than 1 card, so you might choose to use a debit card for everyday purchases and keep a credit card on hand for emergencies. Different credit cards earn different rewards as well, so some extremely organized people can take advantage of using multiple credit cards at once to maximize their rewards. Image Credit: Casper1774 Studio via Shutterstock We've mentioned a few times that your credit is important, but what does this really mean and why should you care? At a high level, your credit score is a 3-digit number lenders use to help lenders decide how likely it is they'll be repaid on time if they grant you a credit card or loan — this is an important factor in your financial life. The higher your scores, the more likely you are to qualify for loans and credit cards at the most favorable terms, which will save you money in the long run. If you have good credit, you can also be approved for cards that have better rewards and benefits. If you have low credit, you may have difficulty finding a lender that is willing to loan money to you, or the rates they offer you might not be as good by comparison. This can cost you big bucks over the lifetime of your loan. The most important factors in developing your credit score are payment history and credit usage. While making regular timely payments boosts your score, missing multiple payments can drop it. If you have a credit limit of \$5,000 and you are always near or at the maximum, this can also hurt your score. On the other end, having lower credit usage will help increase it. So how do you know what your score is? Everyone is entitled to 1 free credit report every year from each of the 3 big credit bureaus: Equifax, Experian, and TransUnion. You can get this report by going to annualcreditreport.com. Hot Tip: There are also other websites, some free and others not, that offer access to your scores as well. Here, we have a complete guide on the best ways to monitor your credit score. There are a few other common types of cards that are regularly used to make purchases that we'd like to touch on briefly. An ATM card is a bank card used to access an ATM. Virtually everyone who has a checking account also has a card that can be used at an ATM, in the form of a debit or credit card, which we've discussed earlier. However, some banks also issue ATM-only cards, which can't be used at retailers for making purchases. Bottom Line: ATM cards should not be confused with the debit cards we've talked about in detail above. You can easily tell the difference since there is not a Visa or Mastercard logo on the card. Unlike a traditional debit card, prepaid cards can be issued by large credit card issuers (like Visa and Mastercard), but aren't linked to your checking account. Instead, you load money onto them and use them to make purchases until the balance hits zero. They allow the convenience of paying with a credit card but don't have the negative side-effects of potential overdrafts, interest fees, or a credit check. You will need to monitor the amount on your card closely to avoid declined purchases. When paying for groceries, the customer's Supplemental Nutrition Assistance Program (SNAP) Electronic Benefit Transfer (EBT) card is run the same way as a credit/debit card would be. The recipient enters the secret PIN in order to debit the account for the amount of the purchase, and the retailer's account is credited. No cash money changes hands. Ultimately, whether you choose a debit card or credit card (or both) should be the type you're most comfortable with based on the cash you have available and how you prefer to manage your finances. We hope we've been able to provide the pros and cons of each card so that you can make an informed decision about which option is best for you.