*Debit vs. Credit: Know when to use them to keep your debt in check*

Question: You’re at a grocery store and you need to make a quick purchase and you don’t have any cash on you. Which card do you use, the debit or your credit?

Answer: Well, it depends.

Although debit and credit cards look the same and we often think they’re the same, they are not the same.

Credit cards offer a user the chance to borrow money and pay it back, with interest, if you need more than a month to do so. Debit cards allow you to use your own money and, if you don’t have enough to cover a purchase, you’ll be prevented from spending more than you have. They are backed typically have the logo of a major credit card company on them and can often times be used in the same places where credit cards are used.

But more than this, using debit and/or credit cards can impact your credit history, provide you with perks that may come with one and not the other, protection from identity theft and more.

Both cards may make spending easier – also increasing the chances to go over your budget – but in certain situations, it may be better to use a credit card more than a debit card and vice versa.

Credit cards can be used everywhere without deposits from your checking accounts. As such, national banks, such as Bank of America and JP Morgan Chase, suggest using credit cards when staying at a hotel or motel or in the case of emergencies.

Using your credit card also affects your credit history, allowing you to increase your credit score with responsible use and decreasing it when falling into more debt.

For example, using your credit card to pay a regular monthly charge that you know you can pay off on time would be a great way to improve your credit history. You’ll demonstrate a responsible history of owing money, yet paying it off each month. Using your debit card each month to pay for your monthly Netflix fee, for example, won’t do the same thing.

But using your credit card to increase your debt- for example, shopping for clothes beyond your monthly “allowance” for this spending – may just increase your debt and that’s not a plus for your credit history. Maintaining a credit card balance that simply grows and grows each month doesn’t show that paying off a debt is something that you can do responsibly.

A debit card should be used for purchases that are significant parts of your monthly budget, such as grocery shopping. With a pre-planned budget and shopping list, you should have a pretty good idea of what you need and how much you will spend. Using a debit card in this situation would be like using cash from your monthly budget. It’s a good habit to maintain; using your own money for larger monthly, budgeted purchases. Debit cards have no fees for usage, unlike credit cards – unless you try to get cash from another bank’s machine - so what you spend will be exactly what you spend.

Unlike debit cards, however, credit cards often offer perks for using them, such as extra frequent flyer mileage or gift cards. Some, like Discover, also provide cash back incentives – retuning a small percentage of what you’ve charged during the year back to you - for those who pay their balances each month on time. Debit cards do not do the same.

Both cards offer similar protection from identity theft, but they must be contacted as soon as possible when it has been committed or noticed. Check with the bank or credit card company to understand the details of reporting identity theft before an unfortunate event happens.

As the world becomes more digital, less cash is needed to move throughout the day. More businesses accept credit and debit cards to pay for purchases, making it easier to spend money or increase your debt without even thinking about it.

Understanding the differences between the two types of cards will help you determine when best to use one or another. Unlike ATM cards, which are specifically used at only ATM machines, debit and credit cards can be used almost everywhere.

Use the cards wisely and you will see your credit scores rise and still stick within your budget.

Information for this article: Bank of America, J.P. Morgan Chase Bank, The Balance, Investopedia.