



PRACTICAL MONEY GUIDES

Debit Card Basics

What you need to know about using your debit card.

Using Debit Cards

While credit cards allow you to purchase now and pay later, debit card transactions are paid instantly, not in the future. A debit card is tied directly to a chequing account, so when you make a purchase using that card, money is withdrawn from your account.

Consumers concerned with debt load can limit their spending by using debit cards, which only allow them to spend what is in their limited chequing account funds.

Choosing a Debit Card

Selecting a debit card can be simpler than choosing a credit card—for example, you won't need to think about interest rates—but there are a few key factors to consider.

- Look for banks or credit unions with branches near you.
- Investigate fees the bank will charge if you withdraw money from another institution's ATM.
- Learn about daily limits for transfers or withdrawals.
- Consider transfer fees if you think you'll want to move money between your chequing and savings accounts frequently.
- Select a debit card that will let you manage purchases, checks and bill paying from your smartphone.

Tips for Using Your Card

When using a debit card, consider these tips for managing your account.

- Keep sales and ATM receipts or copies.
- Always be aware of your current bank account balance and available funds.
- Keep track of all transactions, including withdrawals that are still pending.
- Review monthly statements carefully. If you suspect a mistake or fraudulent use, contact your financial institution immediately.



Your financial institution may send alerts to your mobile phone when debit card activity exceeds your dollar limit, your online ID or passwords change, or large transactions are made.



Keep your debit card PIN safe. Do not write it down or share it with anyone.

Secure Your Information

Use of your debit card will require a Personal Identification Number (PIN) for security. Choose a unique number. Avoid obvious choices like your address or birthday. Keep the PIN private.

Know Your Limits

Many debit cards have daily spending and cash withdrawal limits that protect you in case your card is stolen. Remember, your card might be declined if you exceed your limits, even if you have enough money in the bank. Know your limits and contact your bank if you need to raise or lower amounts.

When you make a purchase, withdraw money from your account or pay bills in amounts that exceed your account balance, you may be subject to overdraft fees. Some financial institutions offer overdraft protection, and they'll cover your cheque or debit transaction so it doesn't bounce. But you may be charged fees for being overdrawn and for each purchase that uses overdraft protection. Balance your account regularly to avoid added fees.

Temporary Holds on Cards

Sometimes when you use your debit card for a "credit-type" transaction like reserving a hotel room, your financial institution may put a temporary hold on your account. Once the transaction is complete and the final bill is settled, the hold will be released.

Many people opt to use a credit card in these situations so they don't tie up their chequing account balance.

Extra Protections

Many of the same features and protections offered by credit cards are also offered by debit cards, including:

Zero Liability

You are generally not liable for unauthorized purchases on your debit card as long as you notify your financial institution immediately.

The Right to Dispute

You may have dispute resolution options should an issue arise with a debit card purchase. This often applies to signed purchases only, but check with your card issuer.

Plan Ahead

Like credit cards, debit cards are accepted at millions of locations worldwide. Before you travel, remember to notify your financial institution of your plans. Using your card across provincial and international borders may cause your institution to flag and even freeze your card.

Debit Card Resources

To learn more about debit cards, visit the Practical Money Skills Canada website: www.practicalmoneyskills.ca/debit

This guide is one of a series on *Practical Money Skills*.

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