

# Credit vs. Debit: Which Is Better?

8 MINUTE READ | JULY 30, 2020



RAMSEY SOLUTIONS



We know what you're thinking: *Is debit better than credit? Is that a trick question?* If you've been around here for all of five minutes, you probably know *exactly* how we feel about credit. And if you don't know, just hang tight a second—because you're about to find out.

A lot of people think debit cards and credit cards are created equal, but that's not true. *Like, at all.* Let's take a look at this credit versus debit showdown and see who wins.

## Credit vs. Debit—What's the Difference?

Debit uses your own money (pulled directly from your bank account) to pay for something. It's basically like cash, except you get the convenience factor of using your debit card instead of carrying around a wad of cash when you make a purchase.

When you pay for something using credit, you're borrowing money from a lender to cover that purchase instead of using your own money. If you don't pay back the money on time, you'll be socked with interest.

## When Can I Use Debit or Credit?

You can use a debit or credit card for nearly any and all purchases you make these days. You'd be hard pressed to find any business that won't accept those two types of payments. Although, your favorite food truck or pop-up shop at the farmers market might take cash only.

But that's the textbook answer you can read anywhere. The Ramsey answer to that question is simple—use debit (or cash) for any purchase you make and *never, ever, in any situation*, use credit to pay for something. If you're sick of credit trampling all over your savings, your future goals, and your family's peace of mind, then give it the boot! *For good*. You have to draw a line in the sand and say enough is enough.

## Reasons to Use a Debit Card

### No Interest

Think about that. In a world that's itching to charge you with interest at every turn, you can walk up, swipe your debit card, and be on your way. *Done*. No payments six months from now. No 17% interest on your account. No 90-days-same-as-cash with five pages of fine print. It's simple: You have the money available in your account, so you buy what you need (and not what you *don't* need).

Oh, we know, we know—you pay off your credit card every month.

Do you, though? Do you *really*?

What if things get pretty tight all of a sudden? Let's say you couldn't afford your cat's vet bill, so you laid down your credit card to take care of the job for you. But you forgot there's already a \$750 balance on the credit card from all the other purchases you meant to pay off at the end of the month. And now, thanks to Milo the Cat, there's an extra \$1,500 tacked on there. You don't have \$2,250 lying around to wipe out your credit card balance *and* feed your kids too. So that balance is going to have to sit there for another two or three months.

We get it. Life happens—but don't put it on a credit card. That's what an emergency fund is for, folks.

### Spend Less

It's true. Study after study tells us that people spend more when they pay with a credit card than they do when they pay cash. When you swipe a credit card, it feels like you're playing around with imaginary money, and it's easier to spend more of it.

And it actually is fake money that doesn't exist, you know. After all, if you're putting something on credit, odds are you don't have the money to cover it from your own bank account. And if you don't have the money to buy something, you shouldn't buy it. Period.

## Are Debit Cards Safe?

Yep! Debit cards are just as safe as credit cards (but surprise—they won't leave you in debt). Even when it comes down to keeping your money secure, the credit versus debit argument still has debit landing on top.

You've probably heard people rant and rave about your "liability" (the risk of something bad happening to you) going up when you use a debit card. Listen: That's only true if you see really weird purchases on your account and do absolutely nothing about it. If you keep an eye on your bank account (like you *should* when you're budgeting), then you'll be able to spot an [unusual purchase](#) pretty quick.

The funny thing is, most people don't realize that credit giants protect their debit card purchases anyway. That's right. If your debit card is backed by a company like Visa or Mastercard (and you run it as credit when you make a purchase), you have the exact same protections as a credit card.<sup>1, 2</sup>

If you *do* choose to enter your pin number, just know that you don't have quite the same amount of protection (you're still covered, just not to the same level). So to ease your fears, run your debit card as credit (and skip the PIN number) and you'll be good to go!

Bottom line: Using your debit card is just as safe as using a credit card. Don't fall into the trap of using credit for "safety purposes."

## Why Don't We Recommend Credit Cards?

**Because credit cards are a joke.**

Oh, wait. You wanted a longer answer.

Alright, here we go . . .

In America, we've hit nearly *\$1 trillion* in credit card debt.<sup>3</sup> And American households with credit card debt carry an average balance of \$14,564!<sup>4, 5, 6</sup>

There's no upside to using a credit card. The system is rigged so that the credit card companies win *every time*. You can't beat them at their own game.

Look, it doesn't matter who you think you're fooling. The truth is, messing around with credit is the worst. The credit card is the cigarette of the financial world. Will it take out everyone who uses it? Probably not. But it's going to leave its mark on a lot of people.

Rachel Cruze says it perfectly: "When you use a credit card, it's like you're living your life through a rearview mirror! You're living in the past and paying for things you've already done, movies you've already seen, and food you've already eaten." And that *stinks!*

We would *never* recommend someone use a credit card, because they steal from your future, keep you stuck in the cycle of debt, and don't help you win with money. Plain and simple. And we want you to win! Having a credit card and clinging to your reward points will never make

you a millionaire. But you know what will? Getting on a budget, paying off debt, and saving up for the things you need to buy. That's what true winning looks like.

## Why Do People Think Credit Is Better Than Debit?

Beats us! We've heard *all* the reasons in the book when it comes to credit versus debit over the years. A lot of people think credit cards are the only way to fly because they can build credit, dispute a charge, get reward points on purchases they make, and avoid the hassle when [renting a car](#). News flash: Those aren't very good reasons to keep using a credit card.

Why do people *really* think credit is better than debit? Because we've all been sold one huge, ugly lie. Our culture and the toxic credit card industry have told us that our [FICO score](#) matters more than the amount of money in our bank account, that juggling debt is the only way to get ahead, and that it's completely normal to be drowning in debt up to our eyeballs.

But guess what? Normal is broke. And if you want to be broke, then go right on ahead believing that junk. The only way to take control of your money is to stop buying into the lie that credit is your best friend—it's not. It's your worst enemy.

## Credit vs. Debit: The Winner Is Debit!

Dave Ramsey's been saying it for years—cut up those credit cards! We know, it goes against everything you've been taught since the day you walked into your college cafeteria and that nice guy from Visa offered you a free T-shirt if you signed up for your first credit card. Ditching credit and living off of debit isn't a popular opinion, but trust us—it's *worth it*. Paying for things with cash you actually have in your bank account is a huge step forward in your money journey.

All right, maybe you love using your debit card, but you think your bank is a real drag. It's no secret that banks don't have your best interest at heart. And it's easy to feel like they've got something suspicious up their sleeve.

That's why we created the [Gazelle debit card](#) to bring you an entirely new, straightforward banking experience that goes hand in hand with the principles we teach. Want to try it out? Sign up for our beta test group and get ready to start banking like no one else.



### ABOUT THE AUTHOR **Ramsey Solutions**

Ramsey Solutions has been committed to helping people regain control of their money, build wealth, grow their leadership skills, and enhance their lives through personal development since 1992. Millions of people have used our financial advice through 22 books (including 12 national bestsellers) published by Ramsey Press, as well as two syndicated radio shows and 10 podcasts, which have over 17 million weekly listeners.