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LAURA ADAMS: Hello and welcome to Money Girls quick and dirty tips for a richer life. I'm your host, Laura Adams.

Having a debit card in your wallet is a great tool for making convenient purchases. In this episode, I'll discuss the pros and cons of using them and share lots of tips on how to lower their associated risks.

OK, let's start out with the major advantages of paying with a debit card instead of paying with cash, check, or a credit card.

Number one-- convenience is certainly the number one advantage in my book. You don't have to carry just the right amount of cash, write out a paper check and enter it into a register, or make a credit card payment at a later date.

Number two-- it takes less time to complete a purchase. Debit cards are accepted by merchants with less scrutiny than are checks or credit cards, and swiping a card is much faster than writing out a check.

Number three-- it keeps you within budget. When you use a debit card, you're limited to spending the amount of money you have in the associated account. This prevents you from accumulating debt or being charged interest and those annoying late fees from a credit card company.

Number four-- they're easier to get than a credit card. Most bank checking and savings accounts offer you the option to have a debit card linked to your account, without having to complete a lengthy application.

Number five-- you can easily get cash. You can opt for back at most stores or use your debit card as an ATM card at cash machines.

On the flip side, here are the disadvantages of using a debit card over other payment methods.

Number one-- disputed charges can be more difficult to resolve. Since money was spent out of

your account at the moment of purchase, you had more risk with a debit card than with a credit card if the item is defective, misrepresented, or never gets delivered to you.

Number two-- some banks may charge you extra fees. There could be monthly service charges, overlimit fees, per transaction costs, or penalties for dropping below a minimum required balance that result from using a debit card.

Number three-- you don't improve your credit score. Building up your credit score is an important consideration for your financial future. Paying bills, such as credit card payments, on time is the most effective way to increase your rating or to maintain a high credit score.

Number four-- you can't take advantage of reward points. One of my favorite reasons for using a credit card when making any large purchase is the opportunity to get travel reward points. There are many different types of cards that offer a variety of great incentives.

Five-- it gives you lower levels of fraud protection. If a thief gets your personal identification number, they could easily empty your bank account. Fraud certainly happens with credit card use as well. However, most credit card companies put a hold on any account that shows unusual activity.

And lastly number six-- your potential liability for misuse is unlimited. This contrast the low risk that comes from misuse or theft of a credit card. The United States Federal Trade Commission established two acts to address the issue of lost or stolen cards.

The FTC website address is ftc.gov. The Federal Reserve Board also has information about credit protection laws on their site at FederalReserve.gov. I'll be sure to include a link to all this information in the show notes at quickanddirtytips.com.

According to the Fair Credit Billing Act, your maximum liability for unauthorized use of your credit card is just \$50. If your card was stolen and you report the theft before any misuse occurs, your liability is zero. If you have the card in your possession but someone stole your credit card number, your liability is still zero.

Your liability for misuse or theft of a debit card under the Electronic Fund Transfer Act is very different. It completely depends on when you report the loss.

When it comes to debit card fraud, please remember that you must act very quickly to give yourself as much protection as possible. If you report a debit card loss before it's used without

your permission, your liability is zero-- just like with a credit card. But if you wait to report a stolen card or theft of your debit card number, your financial risk increases as follows.

Your loss is limited to \$50, if you notify your card issuer within two business days after discovering your loss. Your loss is limited to \$500 if you report it within 60 days after your account statement was mailed to you.

But your liability is unlimited if you miss the 60 day deadline. You could lose all the money in the account linked to your debit card, plus any overdraft fees and penalties.

So what can be done to lower the risk of using a debit card? Well, I strongly recommend using debit cards only for smaller purchases from trusted merchants.

It's a good idea to never let the card leave your sight during a purchase. Illegal electronic skimmer devices are very small and can easily be hidden and quickly used by thieves to copy your information. When making a big ticket purchase or buying over the phone or internet, always use a credit card.

Here are some additional tips that can save you lots of potential frustration and grief. Sign the back of your cards as soon as you receive them. Don't carry cards with you that you will not need.

If possible, carry cards separately from your wallet. Never give a card number over the phone unless you really trust the person or company. Never email a card number to someone or give it in response to an email solicitation.

Never sign a blank credit or debit charge slip. Never loan a card to anyone. Draw a line through the blank spaces above the total on any credit or debit slips to avoid them being altered.

Make your personal identification number something unique that a smart thief couldn't easily figure out. Never create a personal identification number that match your address, birthday, social security number, phone number, or any other number that could possibly be linked to you.

Never give your personal identification number to anyone, and do not keep it with your debit card. Keep your debit card receipts in a safe place until you can match them against your account statement each month, then destroy them. Check your homeowner or tenant

insurance policy to find out if it includes any liability for card fraud.

I want to say a big thank you to Grammar Girl for bringing me into the QD network, and another thank you to Andrew Horowitz for doing such a great job as guest host.

Cha-ching. That's all for now. I'm glad you're listening, and I hope to read your comments and money questions at money@quickanddirtytips.com. If you forget my email address, just go to quickanddirtytips.com for all contact information and show transcripts, courtesy of Money Girl, your guide to a richer life.

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MAN: You ever have one of those days where everything goes right? First, I get the best parking space at work. Tonight I have a date with the very lovely Rachel, and today I gave a killer presentation in Sydney, finalized a contract in London, and demoed our new product in Boston, online from my desk with WebEx.

WebEx lets me take meetings and give presentations from my desk. I just talk to clients on the phone, and they watch what's happening on my desktop from their desktop. So I can travel the world and still be here for my date tonight with Rachel.

MAN: Travel less, meet online. Go to WebEx.com and try WebEx free. Just click the radiographic and enter promo code Cisco to get a free trial and a free webcam too. Remember that code-- Cisco.

To qualify for the free webcam, WebEx, now part of Cisco and used by more than 5 and 1/2 million people every month. Give it a try, free. Go to WebEx.com and enter the promo code-- Cisco. Webex.com.

Free webcams available while supplies last. Terms and restrictions apply. See website for details.