

Budgeting Basics Series for the Anglo Young Couple and Family

Part #4 Payment Methods



There will be 6-8 Guides

Topics that will be Discussed: All about the Budget, How to Create a Budget, Income Enhancements, Streamlining Expenses, Tackling Debt, Short Term Savings, Food Shopping, Menu Planning, Payment Methods, Maintaining your Budget, Long Term Savings and more...

Payment Methods

There are 4 ways to pay for goods or services.
The method you use will greatly impact the amount you will spend. Do your research and do what will work best for you even if your friend will persuade you otherwise.

- ✓ Good
- X Bad
- ❖ In Between

	Convenience	Rewards Benefits	Adequate Fraud Protection	Trackable	Limit Overspending	Service through Company	Good for Travel
Debit Card	✓	X	❖	✓	❖	❖	✓
Credit Card	✓	✓	✓	✓	X	✓	✓
Cash	❖	X	X	X	✓	X	X
Check	X	X	X	❖	✓	❖	X

Debit Card and Checks

Debit Card

A Debit Card is like a Credit Card in the convenience sake of easy to carry, simple to swipe. Yet, you cannot spend money that is not your bank. You can only spend what you have which is similar to a check or cash in a way.

Pros

- Easy to carry
- Limits overspending
- Easy to track all transactions online
- Serves as a ATM card as well
- Will not affect your credit score

Cons

- No rewards or benefits
- Not adequate fraud protection
- No travel benefits

Checks

Pros

- Limits overspending

Cons

- Bounced checks, you will have to pay a fee for
- Many stores no longer accept checks
- Bulkier, have to carry a checkbook and a pen
- Not adequate fraud protection
- No rewards or benefits

Cash and the Envelope System

Cash

Pros

- Limits overspending
- You can only spend what you have on you
- Some stores will give you a discount if you use cash for larger purchases

Cons

- Not trackable at all, unless you write down where every shekel goes to, you might not remember
- Bulky to carry around
- Not safe to carry around in large amounts
- Exchange fees when exchanging cash from other currencies

The Envelope System

There are some categories in which you might struggle with even once you completed your budget. Common categories are groceries, takeout, miscellaneous. For these categories the envelope system might be helpful.

Take an envelope for each category and put in the designated amount of money that you want to spend that month. Label the envelope with month and category. Use that envelope when you shop. If at the end of the month you have remaining cash available you can either save the money or roll it over for the next month and have a larger allowance then. If you used up your money early, you can no longer spend any money in that category for the month, you cannot borrow from other envelopes.



It is not meant for fixed expenses, it is for running expenses that you tend to overspend.

The Truth about Credit Cards

The famous Dave Ramsey rants about how terrible credit cards are, your friends use miles to gain “free” flights. What is the truth? Are credit cards good or bad? Answer is-it is how you use your credit card

Credit cards are technically using borrowed money for instant easy spending. See chart on the next page for all pros and cons.

Know yourself! If you will overspend due to swiping the card ease, DO NOT USE

If you do decide to use credit cards keep in mind

- Do research, research research for a card that suits your needs
- Weight the pros and cons wisely
- Not all benefits mentioned on the next page will be for all cards
- Check all credit cards here <https://www.cardratings.com/>

DansDeals Alert: word of warning: It’s important to note that the credit card points system is subsidized by the millions of Americans who fall into the trap of debt, buying things they can’t afford, and paying huge amounts of interest to the banks. If you’re susceptible to that behavior, then don’t start in the first place. Pay for things in cash and be happy not being in debt. Any gain from the points system will be obliterated by interest payments.

Credit Card Pros and Cons

PROS	Details	CONS	Details
Service	24/7 access credit card companies give 24 hour service.	<u>OVERSPENDING</u>	It is easy money and a huge percentage of people overspend. It doesn't feel like you took the money out of your pocket. It
Accessible /Convenient	Its thin easy in your pocket. TOO EASY	Annual fees	Many great cards have a fee. \$95 is the average annual fee. There are basic cards without fees (you can do one as main (you) and one ass additional card (spouse) for about \$35 a year)
Points/Miles	The undisputed amazing award. Point can be cashed for money or used as miles for flights.	Can affect your credit score	<ul style="list-style-type: none"> • You need a good score to open a card • You need a good score to lease a car for a mortgage etc. • Paying late-affects score • Spending too much-affects score
Travel Benefits	Some credit card companies offer <ul style="list-style-type: none"> • Lost luggage insurance • Medical and dental insurance for emergencies for free or a cheap price • No exchange rate for foreign money 	Welcome offer Spending term	Some cards offer introduction rewards *spend 4,000 in 3 months to get 60,000 points That makes many people spend more. Or sometimes they ask others to spend for them and that can cause unpleasant situations.
Car Rental Insurance	If you rent a car, you will get free car insurance	APR-Huge interest on balance	If you do not pay your card in full, the balance will incur hefty interest fees
Simple/ Trackable	All spending is easily categorized, tracked, labeled online. Easy to complete your budget when all details are organized		
Fraud Protection	See a suspicious charge, dispute and that's it	and more	Every card or Company has it unique Pros and Cons There are cash back card Reward cards Store cards which has it own pitfall of overspending on that specific store
Purchase/Warranty Protection/return protection	Not all companies offer this If you are not pleased with your item, it broke, got lost, passed the return date. You have 3 month to claim and get your money back, simple to apply. Up to \$1,000 a year		



39% of Americans have credit card debt. Credit card debt is EXTREMELY easy to accumulate

Payment Methods Conclusion

You want the miles, points of a credit card yet can't stick to a budget with groceries and clothing shopping

- Use a credit card for fixed expenses like tuition, bills, flights
- Use the cash envelope system for food, clothing and takeout

You are very disciplined and will stick to your budget even for challenging categories and will always pay full balance at the end of the month

- You can safely use your credit card for all expenses

You are struggling to make end meets

- Do not fall into the credit card trap, use cash or a debit card

You want a “free” vacation with miles

- Do not open more credit cards as you will spend more to reach the great points offer

Want to go on vacation for a week

- Use a credit card for flight and hotel, use cash for spending money and attractions to better stick with your pre planned budget.

You might have different spending attitudes than your husband/wife. For you a credit card might work, and for your husband/wife cash will be the best bet or vice versa.

Know your spending habits, discipline level and do your research to decide what will best suit your needs.