



SmartSense

Wondering about *debit* and *credit* cards?

You've probably heard the question "debit or credit?" when it was time to pay for something. Ever wonder what that means?

Credit cards and debit cards are both plastic cards that are offered by banks and businesses and can be used to pay for things, but they have important differences you need to know about.



Debit card

What is it?

A debit card is tied to a bank account. When you use a debit card, the money for your purchase is taken directly from your account.

Why it's nice to have

Because it takes money straight from your account, you can't spend more than you have saved in your bank account.



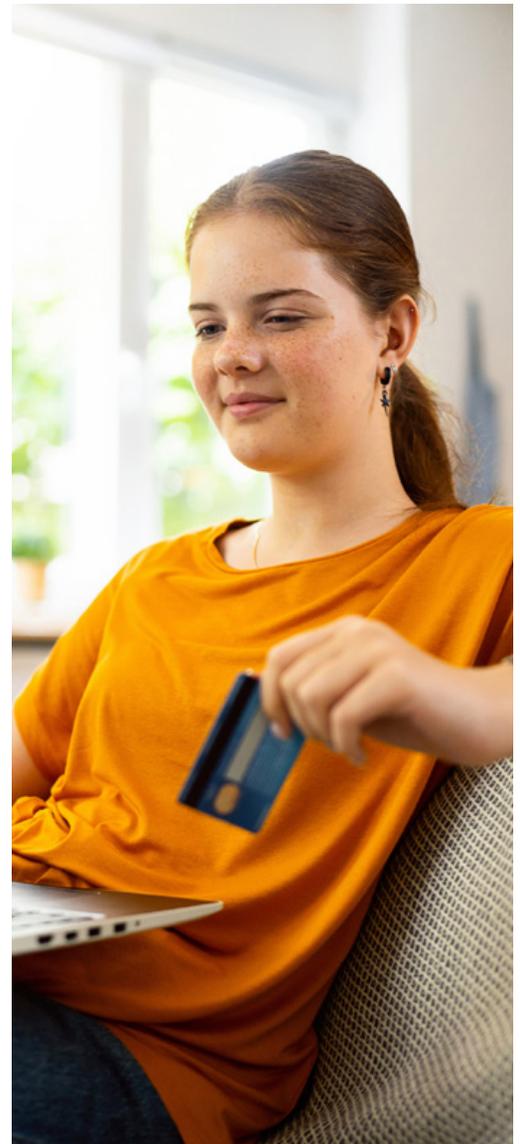
Credit card

What is it?

A credit card isn't connected to how much money you have. The credit card company loans you the money for your purchase and you'll need to pay it back. If you don't pay it all back right away, you'll also have to pay interest. Interest is the money you pay the bank for loaning you money.

Why it's nice to have

You can spend more money than you might have saved in your bank account. This can be helpful if you need to purchase something expensive.



Be careful—use a credit card responsibly

If you don't pay the full amount on your credit card bill every month, you'll owe the bank even more money in interest payments.

Let's see how it works

Imagine you want to buy a tablet. You don't have the money in your account, so you use your credit card. You'll get a monthly bill from your credit card company that shows the minimum amount you must pay every month. Let's see how much that will cost you after you've paid off your credit card.

When you pay with ...	Credit card	Debit card
Purchase price	\$500	\$500
Minimum monthly payment	\$20	—
Interest for 32 months @ 18%	\$131.40	—
Total	\$631.40	\$500

For illustrative purposes only.



With your debit card, you pay using your own money, so there are no extra fees. With a credit card, the longer it takes you to pay your credit card balance, the more the item ends up costing you.

Which card is right for you?

Getting a debit or credit card is a big responsibility. Talk to your parents to help you decide which option is best for you.

Scan the QR code to visit the SmartSense website for more resources.



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Three questions to ask yourself when using a debit or credit card:

1. Do I really need it?
2. Do I have enough to pay for it from my bank account?
3. If I use my credit card, how long will it take me to pay it back?