Understanding the CASHLESS Economy

Currency notes and coins are all produced by the **Treasury Department** but there are a variety of methods for receiving money and for paying for goods and services without using cash. This trend is known as the "cashless" economy.

1. Credit Cards: The most common brands are MasterCard and Visa. Basically, a bank pays these brands for the right to use its name. It then offers you a line of credit (amount of money you can borrow to buy things). When you use the card, the bank pays the merchant. At the end of the month, you must pay the bank back. If you don't, you owe the bank both the principle (amount borrowed) and interest. This is how banks make *billions* of dollars and how people buy things they cannot afford.

2. Debit Cards: Money is electronically withdrawn from your checking account when the card is "swiped" at a register. Therefore there is no bill at the end of the month. You need to use a Personal Identification Number (P.I.N.) to authorize the transaction. If you opted for the "overdraft program" the card will allow you to spend more money then you have in your checking account for a fee. Being able to overdraw your account will prevent any embarrassment at checkout. As of February of 2012 banks were on track to top $16 billion in overdraft fee revenue in 2011. New rules in 2010 forced banks to give consumers the option of taking "overdraft protection."

3. **Pre-paid Gift Cards**: When you are not creative enough to get a friend a real gift, why not buy money For a small fee ($4-6) you can buy your friend a pre-paid gift card. If your friend loses the card it can be replaced with the remaining sum but a replacement fee is usually around $15. Some cards do expire, meaning the money simply evaporates after one year?!?!

4. **Pre-paid cash cards**: If you have gone bankrupt (unable to pay your debts) it will be difficult and maybe impossible to get another credit card but you can get a pre-paid card. You put money on the card and use it like a credit card, but when the card runs out of money you cannot make purchases. There are some protections against lost or stolen cards, but monthly and/or startup fees are common.

5. Checks: "Representative" money linked to a checking account, commonly used to pay bills. If you write a check but have Nonsufficient funds (NSF) in your checking account (bouncing a check) there will be a fee. The average fee was $21.57 in 1998 but has risen to an average $29.58 (Bankrate.com, 2009). If you receive a check now you have to run an errand to the bank before you misplace it.

6. Money Order: a check issued by an organization such as the US Postal Service or sold by third parties such as grocery stores, or convenience stores to allow individuals to make payments when a personal check is not accepted or not available. This is a safe and convenient way for people to pay bills, if they do not have a checking account. Payment must cover the cost of the money order plus a minimal fee.

Fees for US Postal Money Orders:
$0.01 to $500.00 .....$1.05
$500.01 to $1,000.00 .....$1.50
· Maximum amount per money order—$1,000
· no customer may buy money orders on any 1 day whose total value exceeds $10,000.

6. Electronic Transfer (automatic payment of bills): you can authorize your bank to automatically pay bills on certain days of the month. For example, you can have your wireless bill paid on the 16th of every month. The bank simply sends the amount of money you owe electronically to the company. Because the transaction is completed through computer systems, there is no need to write a check, and you get written proof that the bill was paid. You only need to make sure that you have enough money in your account.

Complete the chart and determine the best method of payment? Explain your answer