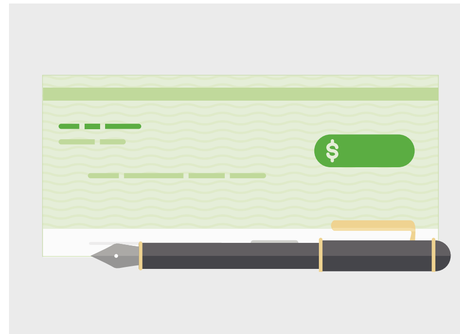
Exploring different ways to pay your bills

Bills are a fact of life. Some are paid monthly, like rent, utilities, and credit card bills. Other bills may be one-time payments, like a security deposit when you rent an apartment.



There are many ways to pay your bills. Understanding the pros and cons of these methods can help you choose the ones that work for you. Below are some of your options.

Bill-paying methods

Automatic or direct debit: A bill-paying method you set up with the merchant or service provider. You provide the merchant or service provider (for example, your cell phone provider or utility company) with your checking account information and they take the funds from your account each time the bill is due (for example, every month).

Pros	Cons
▪ Convenient, saves time, and is free. ▪ Reduces the chance of being late – once you set it up, it is automatic. ▪ You have the right to end automatic payments. ▪ Makes it easy to pay bills that are frequent and consistent. ▪ Easier to prove payment should a dispute arise. ▪ If the amount of the bill changes each month, you may get a notice before the transfer is made to pay the bill. ▪ You may pay a lower interest rate for loans if you make your payments via automatic debit.	▪ If you pay bills by automatic debit without enough money in your account, the bank or company you are paying may charge you fees. **Warning:** When money is automatically taken from your account, you could accidentally spend more than you have. If you do not have enough money in your account to cover an automatic payment or other charges you've made, you may have to pay fees. To stop automatic withdrawals, contact both the merchant and your bank.

Cash: The money you have in hand.

Pros	Cons
▪ Often no fees associated with paying cash directly to the company if paying the full amount owed. Buying or using a special product such as a money order or prepaid cards may cost money. ▪ When you use cash, you're not incurring debt. ▪ No risk of overdrawing your account.	▪ Not all bill payments can be made in cash. ▪ Can be inconvenient and costly to travel to the company to pay the bill in person. ▪ May be hard to prove payment unless you have a receipt. ▪ Cash is difficult or impossible to recover if lost, stolen, or destroyed. ▪ You have to remember to pay the bill each time it is due (not automated).

Checks: A check is a paper order to your bank or credit union to pay someone from your checking account. You write the amount and the name of the person or company that you wish to pay on the check. The amount comes out of your checking account when the person or company who receives the check deposits it or cashes it.

Checks can be helpful in cases where a business or organization doesn't accept electronic payments. For example, you might use a check to put down a security deposit on a place to live.

Pros	Cons
▪ Convenient once you apply for an account at a bank or credit union. ▪ Can be mailed to creditors. ▪ Easy to prove payment if there's a dispute. ▪ Funds are held in the checking account until you write out the check and the check is deposited. ▪ Unlike cash, if a check is lost or stolen or someone forges your signature, you may have protection for the money in your account.	▪ If you pay bills by check without enough money in your account, the bank or company you send the check to may charge you fees. ▪ You have to remember to pay a bill using a check each time it is due (not automated). ▪ Postage costs of mailing the payment. ▪ Not as convenient as electronic payments. ▪ It can be hard to stop a check if the person who receives it deposits it quickly.

Credit card: A credit card allows you to borrow money up to an approved credit limit. You will pay interest if you carry a balance, and you can be charged other fees based on the terms of the contract. You can expect to make a minimum monthly payment and you may want to pay more than the minimum to pay it off sooner. If you pay off the entire balance each month, you will have no interest or late fee charges. You pay interest on any outstanding credit card loan balance.

Pros	Cons
▪ Can use a credit card to pay bills over the phone or online. ▪ Easy to prove payment should a dispute arise. ▪ Federal law protects you if you have unauthorized transactions on your credit card account. Protections can vary depending on when you report the loss or theft of your card, or the unauthorized use, to your bank or credit card company. ▪ Can be set up to automatically pay recurring bills. ▪ Can help build your credit history if you make payments on time and don't get close to your credit limit.	▪ Costs more than paying for the purchase with cash or a check if you can't pay the credit card balance in full every month. If you carry a balance, you have to pay interest on the balance. ▪ Creates another bill you have to pay. ▪ Creates debt – you are borrowing money to pay for bills and other items.

Money order: A money order can be used instead of a check. You can buy a money order to pay a business or other party.

Money orders can be helpful when a business or organization doesn't accept electronic payments and you don't have a checking account. They also can be helpful when personal checks aren't accepted. For example, if you buy a used car from an individual, the seller might ask you to pay with a money order so they don't have to worry about whether you have enough money to cover your check.

Pros	Cons
▪ Easy to understand. ▪ Can be mailed. ▪ No personal banking information appears on the money order.	▪ May be inconvenient because you have to buy a money order. ▪ Cost to buy money order and to mail the payment. ▪ May be hard to prove payment unless you have the money order receipt and a receipt for payment. ▪ Funds are difficult or impossible to recover if lost or stolen. ▪ You have to remember to pay the bill each time it is due (not automated).

Online or mobile bill payment: A bill-paying method you set up with your bank or credit union. You use online banking to give your bank the merchant or service provider's information, and your bank makes the payment according to the amount and schedule you set up. Online bill paying may or may not also be offered on a bank's or credit union's mobile application.

Pros	Cons
▪ Convenient and saves time. ▪ Makes it easy to pay bills that are frequent and consistent. ▪ Easier to stop an unintended or erroneous payment. ▪ You can choose between making one-time payments each billing cycle or setting up recurring (automatic) payments using your bank or credit union's online services. ▪ Easier to prove payment should a dispute arise.	▪ Takes time to set up and learn. ▪ If you pay bills by online bill payment without enough money in your account, the bank or service provider may charge you fees. ▪ If you have set up recurring payments and the amount changes, you may pay the wrong amount. If you pay less than the full amount of the bill, you may have to pay fees.