

In our wallets, most of us have an average of three credit cards, a handful of gift cards and coupons, not to mention membership cards, a driver's license and receipts. Mobile wallets—which you can use on a smartphone, tablet or smartwatch—let you store all these in digital form. They allow you to make purchases, apply discounts and use coupons without ever rummaging through your real wallet.

Although very few consumers regularly use mobile pay, that's expected to grow. But like with any new product, there are some things you need to keep in mind before diving in.

Mobile wallets refer to two types of payments. Proximity wallets can be used at a physical location by hovering the phone over a reader. Remote wallets allow you to send money to someone else electronically, like your dining companions when you're short of cash at brunch.

Pay attention to security. Mobile wallets can be more secure than magnetic strip credit cards because their data are encrypted. But like a credit card or a wad of cash, your phone can be stolen. Two-step verification, where you have one password for unlocking your phone and another to get into the mobile wallet app, is an important security measure to adopt.

Make sure you have fraud protection. Consider linking your mobile wallet to a credit card, rather than linking it to a debit card or being charged through your phone bill. You'll likely get the same protections that credit cards offer, and it allows you to dispute fraudulent charges.

You still need cash. While the list of retailers that accept mobile wallets is growing, it's not a given that you'll be able to use them everywhere. You should still carry a credit card and a bit of cash—just in case.