



DO MORE WITH YOUR MONEY

Understand Prepaid Cards

Common Features of a Prepaid Card

- Allows you to make purchases in person and online
- May be a plastic card or a mobile or web-based account
- *(if a card)* Allows you to withdraw cash at an ATM and to reload it with cash
- *(if a payroll card)* Allows your employer to load your earnings

What is a Prepaid Card?

A prepaid card has money loaded onto it. You, an employer, or a government benefits provider may load money onto a prepaid card. Prepaid cards that employers use to deposit earnings are called payroll cards. Prepaid cards are also available for sale at supermarkets and drugstores. You can use a prepaid card to make purchases.

Prepaid cards are not connected to a bank account like debit cards, they are not credit cards, and they differ from gift cards in important ways. See below.

Do I Have to Accept My Earnings on a Payroll Card?

Your employer cannot legally obligate you to receive your earnings on a prepaid card. Employers must offer at least one alternative such as a paper check or direct deposit into a bank account.

How Do Prepaid Cards Differ from Credit Cards?

When you use a prepaid card, you are spending loaded money. When you use a credit card, you are borrowing money that will rack up interest charges if you do not repay the money on time. You do not have to repay the money you spend using a prepaid card, and your prepaid card account will not appear on your credit report. Using the prepaid card will not help you build credit or raise your credit score.

How Do Prepaid Cards Differ from Gift Cards?

Gift cards typically have an expiration date, which federal law requires must be at least five years after the card was loaded. You can use some gift cards only at certain retailers. Prepaid cards offer more flexibility, but tend to have higher fees than gift cards because many prepaid cards charge monthly fees and/or inactivity fees. Unlike gift cards, prepaid cards are reloadable, and you can use them to withdraw cash at ATMs.

Questions to Ask if You're Considering Using a Prepaid Card

- ✓ Does it have an activation fee? If yes, what is the activation fee?
- ✓ Is there a charge to check my balance by phone or at an ATM?
- ✓ What, if anything, is the fee to withdraw cash from an ATM?
- ✓ What, if anything, is the fee to reload the card with cash?
- ✓ What, if anything, are the fees for making a purchase?
- ✓ What, if anything, are the fees for account inactivity or for account maintenance?
- ✓ Is the money on my card insured against loss by the Federal Deposit Insurance Corporation (FDIC)? What fraud protection does the card offer?

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