

# A Consumer's Guide to Choosing a Prepaid Card

*Seminar lesson plan and class activities*



"A consumer's guide to choosing a prepaid card" was created by Consumer Action with a grant from Visa Inc. It is part of the Consumer Action/Visa Inc. educational project Know Your Card. Visit [www.knowyourcard.org](http://www.knowyourcard.org) to find all of the free Know Your Card educational publications.

To learn more about Consumer Action, visit us online at [www.consumer-action.org](http://www.consumer-action.org).

# ***A Consumer's Guide to Choosing a Prepaid Card***

## **Seminar lesson plan and class activities**

### **Lesson purpose:**

To help participants determine whether a prepaid card is right for them and provide them with the knowledge and tools to shop for, choose and manage a prepaid card wisely.

### **Learning objectives:**

By the end of the lesson, participants will understand:

- what a prepaid card is and how it works;
- the most common prepaid card fees and how to avoid or reduce them;
- how to shop for and choose a prepaid card; and
- where to find more information about choosing and using a prepaid card.

### **Lesson duration:**

2½ hours

### **Materials:**

For instructor:

- *A Consumer's Guide to Choosing a Prepaid Card* (brochure)
- Visual teaching aid (PowerPoint presentation with instructor's notes)
- Lesson plan, including activities and answer keys (pages 3-23)
- Class evaluation form (page 24)

Instructor will also need:

- a computer and projector for the PowerPoint presentation (the PowerPoint slides also can be printed on transparency sheets for use with an overhead projector); and
- an easel and pad, or a whiteboard, and markers.

For participants:

- *A Consumer's Guide to Choosing a Prepaid Card* (brochure)
- *Credit, debit or prepaid?* activity (1 page)
- *Shopping for a prepaid card* case studies (3 pages)
- Class evaluation form (1 page)

Optional:

- Printout of the PowerPoint presentation

## **Lesson outline (and suggested times):**

- Welcome and training overview (5 minutes)
- Payment card comparison (10 minutes)
- How prepaid cards work (includes activity) (30 min)
- Prepaid card fees (25 min)
- Rewards, features and benefits (10 min)
- Shopping for a prepaid card (includes activity) (30 min)
- Using your card and managing your account (20 min)
- Resources (5 min)
- Questions and answers (10 min)
- Wrap-up and evaluation (5 min)

## Instructor's notes:

This training module consists of a fact sheet/brochure (*A Consumer's Guide to Choosing a Prepaid Card*), a backgrounder written in Q&A format to help trainers answer participants' frequently asked questions, a lesson plan with class activities, and a PowerPoint presentation. It was created by the national non-profit organization Consumer Action, with support from Visa Inc., to be used by non-profit organizations providing consumer education in their communities.

Before conducting the training, familiarize yourself with the fact sheet, the backgrounder, the lesson plan (including activities) and the PowerPoint visual teaching aid.

The PowerPoint presentation contains notes for each slide (appearing below the slide when in Normal view or Notes Page view). These notes offer detailed information about the items appearing on the slide. The learning objectives for each section, along with key points and questions to generate discussion, are included in the lesson plan, as are indicators telling you when to move to the next PowerPoint slide.

*Why Adults Learn*, a PowerPoint training for educators, provides tips for teaching adults and diverse audiences—it will be helpful to you even if you have taught similar courses before. The slide deck is available at [www.consumer-action.org/outreach/articles/why\\_adults\\_learn/](http://www.consumer-action.org/outreach/articles/why_adults_learn/).

## WELCOME AND TRAINING OVERVIEW (5 minutes)

➔ **SLIDE #1** (onscreen as participants arrive; direct early arrivals to begin reading the fact sheet)



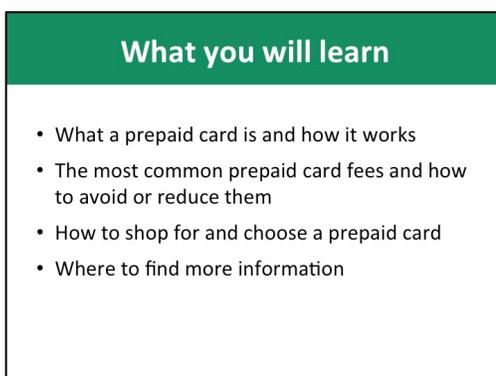
**Welcome** participants and introduce yourself.

If you have a small group, you can ask individuals to introduce themselves (or, if time permits, ask them to pair off with someone seated near them and then introduce each other to the group) and tell you what they hope to get out of the training. In a larger group, invite a few volunteers to share their expectations. On your whiteboard or easel pad, jot down some of the specific things participants mention. You can come back to this at the end of the class to make sure you've covered these points. (This activity is designed to serve as a brief icebreaker. It will also give you an idea what participants' expectations and needs are.)

**Review** the contents of participants' packets. Ask the class to take a look inside their packets and make sure they have all the materials needed.

➔ **SLIDE #2**

**Present** what participants will learn during this seminar.



**Slide notes:** Consumers have many options for how they pay for things, one of which is the general purpose reloadable prepaid card.

Introduce the general topics (slide bullets) that will be covered so that participants know what they can expect to learn during the seminar.

## PAYMENT CARD COMPARISON (10 min)

**Learning objective:** Understand the key differences between credit, debit and prepaid cards so that you can determine which is the best option for a specific situation.

### Key points (slides 3-4):

- All types of payment cards are safer than cash.
- There is no single card type that is right for everyone and every situation. Credit, debit and prepaid cards all have advantages and disadvantages.

### Questions to generate discussion:

- Do you carry more than one type of payment card in your wallet? Why or why not?
- What kinds of things do you consider when choosing how to pay for something? What makes you decide to pay with a credit card rather than a debit card or vice versa?

*Note: When generating discussion, allow a moment or two for participants to respond. You can jot down responses on your easel pad or whiteboard.*

### → SLIDE #3

**Introduction:** Consumers have many options for how they pay for things. The main categories are paper (cash or check) or plastic (payment cards). But once you choose plastic, you still have to decide which *type* of card to use. There are pros and cons to each option, and no one card type is right for everyone and every situation. Understanding what each card offers and the differences between credit, debit and prepaid cards enables you to choose the best card for your needs and goals.

Go over slide notes.

Payment card comparison
<ul style="list-style-type: none"><li>• Credit cards</li><li>• Debit cards (checking account)</li><li>• Prepaid cards</li></ul>

**Slide notes:** In addition to all payment card options being safer than cash, each has its own advantages and disadvantages. Compare options so that you can choose the best one for your needs and goals.

• **Credit cards: Advantages:** They allow you to borrow money to make purchases or get cash all over the world. Many offer rewards (airline points, cash back, etc.) and other cardholder benefits (free roadside assistance, purchase protection, etc.). All offer strong consumer protections under federal law. If you repay the money you spend in the first billing cycle, you can avoid finance charges (except on cash advances, which start accruing interest immediately). Managing a credit card responsibly can help you build or improve your credit score.

**Disadvantages:** You pay interest on the money you borrow if you don't pay it all back in the first billing cycle. Cash advances incur a fee and begin accruing interest immediately. In addition to finance charges, there may be other fees (annual fee, late fees, etc.). Not everyone has the credit history or income to be approved for a credit card. Mismanaging a credit card could result in a large debt, high financing costs and damage to your credit score.

- **Debit cards: Advantages:** They can be used at the same places credit cards are accepted. Because the money spent comes out of your checking account, debt and finance charges are not an issue. You have the option to write checks, which can be useful for paying bills, individuals or merchants who only take cash or check. **Disadvantages:** While you won't incur finance charges, you can still be assessed fees for account "maintenance," overdrafts, out-of-network ATM use, etc. Using a debit card doesn't help you establish or improve your credit, and debit cards generally don't offer the rewards programs and cardholder

benefits that credit cards do. They do offer some strong consumer protections, but a credit card is still a better option for many purchases. Your ability to cover a financial emergency is limited by your account balance.

- **Prepaid cards: Advantages:** General purpose reloadable prepaid cards are available to virtually anyone, regardless of credit history or income. They can be reloaded and used for as long as you choose, in many of the same ways as a checking account debit card (to make purchases, pay bills and get cash). If you avoid a card that allows overdrafts, you can't overspend and incur overdraft fees. Since you're not borrowing money, prepaid card use does not result in debt or finance charges. Many cards can be used internationally. **Disadvantages:** Prepaid cards don't help you establish or improve your credit (which means that whenever you do need credit, you'll pay more for it—if you're even able to obtain it). Even prepaid cards that don't allow overdrafts still charge a variety fees, which can range from reasonable to exorbitant and aren't always clearly disclosed. Though many prepaid cards voluntarily offer some consumer protections, they are not required by law, so they can be rescinded at any time. Because you can't spend more than the balance on the card, you might not be prepared to cover an emergency expense. They tend to be more expensive than a low-cost, consumer friendly checking account that is managed wisely (no overdrafts or excessive ATM fees).

#### ➔ SLIDE #4

Go over slide notes.



**Slide notes:** Whether or not a prepaid card is a good choice for you depends on your answers to the following questions:

**Is a checking account an option for me?** If you can't get (due to a negative banking history) or don't want a checking account, then a prepaid card can be a good alternative. However, having a checking account is generally a good financial goal because it offers better consumer protections than a prepaid card (unless and until new rules require the same federal protections on prepaid cards), typically costs less than a prepaid card if managed wisely, and allows you to establish a relationship with a financial institution that could prove useful when you need a loan or other financial product

or service.

**Is my goal to build or improve my credit?** If the answer is yes, then a credit card would be the only option. This, by the way, is a good goal for anyone who plans get a home mortgage, finance a car purchase or, depending on your state, purchase auto insurance (better credit, better rates).

**Do I want to be able to use the card to make reservations?** While you may be able to pay the final bill with your prepaid card, you might not be able to use your card to make reservations with airlines, hotels and car rental companies.

**Is it important for me to be able to provide a card with spending limits to a teen, nanny, etc.?** Prepaid cards provide a tool for distributing an allowance, spending money or other limited funds without being concerned that the card user could overspend or accumulate debt. (There may be a fee for each card on an account.)

### HOW PREPAID CARDS WORK (30 min)

**Learning objective:** Understand how prepaid cards work so that you can decide if one is right for you.

#### Key points (slides 5-7):

- Prepaid cards function in many of the same ways as credit and debit cards but there are some important differences.

- Overdraft coverage on a prepaid card account should be avoided.
- The types of consumer protections that credit and debit cards offer are not required by law on prepaid cards—any similar protections they provide are voluntary.

**Questions to generate discussion:**

- Do you think being able to overdraw your account (and pay a fee) is a good thing? Why or why not?
- Do you know what specific consumer protections you have as a credit or debit card user? Have you ever exercised these rights—say, by having funds replaced after fraudulent use of your card/account or by disputing a transaction because something you ordered was defective, damaged or didn't arrive?

**→ SLIDE #5**

**Introduction:** Prepaid cards function in many of the same ways as credit and debit cards but there are some important differences, such as the need to load/reload funds into the account. Understanding exactly how a prepaid card works, including the consumer protections it does or doesn't offer, will help you decide if one would be right for you.

**Go over** slide notes.

How prepaid cards work
<ul style="list-style-type: none"> <li>• Loading/reloading funds</li> <li>• Making purchases</li> <li>• Getting cash</li> <li>• Paying bills</li> </ul>

**Slide notes:** Before you purchase a prepaid card, you should understand how they work.

• **Loading/reloading:** Depending on the card, you may be able to load and reload the account via direct deposit of your income (paycheck, benefits payments, etc.); with cash at a network location (such as a Western Union agent, Walmart store or bank branch); by checking or savings account transfer; or from a PayPal account. Not all cards allow all reload methods. Make sure the card you choose allows you to reload in the ways you want. Reload fees, if any, vary. It's easy to find cards that allow direct deposit with no fee. Many even reduce or waive the monthly maintenance fee if you set up

direct deposit. There may be limits on the amount you can deposit into your card account per day, the number of deposits you can make per month or the balance you can maintain, depending on the card issuer's policies.

- **Making purchases:** As long as there is money in your account, you can use your card to make purchases anywhere that accepts cards with the same logo (Visa, MasterCard, Discover, American Express). You can make purchases in person, online or by phone. When making a purchase in person, you may be given the option for the transaction to be "credit" or "debit." In either case, the money will be deducted from your account balance. But there may be a difference in the fee, if any, for the two different transaction types. And "credit," which requires a signature rather than a PIN (debit), may offer greater consumer protections and/or rewards. Understand the fees and the policies around both types of transaction so you can make the best choice each time you use your card. There may be limits on the amount you can spend with your card per day, week or month, depending on the card issuer's policies.
- **Getting cash:** You can get cash at ATMs, from bank tellers and at grocery stores and some other merchants when you select "debit" and request "cash back" while making a purchase. There may be a fee for ATM and/or teller cash withdrawals. "Cash back" at a merchant typically is free (though some cards do charge a transaction fee). There may be limits on the amount of cash you can withdraw from your card account per day, week or month, depending on the card issuer's policies.
- **Paying bills:** You can provide your card number to pay bills for creditors, utilities, etc. that accept card payments. Many cards also allow you to set up "payees" within your online account and schedule

individual or recurring payments to virtually anyone. The card issuer may charge a fee for this, but many offer the bill-pay service for free.

➔ **SLIDE #6**

Go over slide notes.

### Overdraft coverage

- Pushes account into the “red”
- A fee for each overdraft
- Avoid!



**Slide notes:** Overdraft coverage on a prepaid card allows you to spend more than your account balance. The card issuer will assess a fee each time you do (as much as \$15 per overdraft or more). An overdraft option is not common on prepaid cards, but it does exist. Choose a card that doesn’t allow overdrafts and that doesn’t charge a fee if one inadvertently occurs (a possibility, though relatively uncommon). Being able to take your balance into negative territory defeats one of the greatest benefits of using a prepaid card: the inability to spend more than you have. And it can be very expensive.

➔ **SLIDE #7**

Go over slide notes.

### Consumer protections

- Limited liability
- Dispute resolution
- Insurance
- Statements/activity



**Slide notes:** There are no federal laws or regulations to protect general purpose prepaid card users the way credit and debit card users are protected. However, the prepaid card you choose may voluntarily offer some similar consumer protections. (Note: Payroll cards and government-issued electronic benefit transfer (EBT) cards generally do offer strong protections similar to those provided on checking account debit cards under federal and state law.)

Here are some policies and protections to look for on general purpose reloadable prepaid cards:

- A limit of \$50 on your responsibility for unauthorized transactions or, even better, “Zero Liability”

- A dispute resolution process that requires the card issuer to investigate errors you report, respond in a timely manner and, in the case of a lengthy investigation, credit the disputed amount to your account until the investigation is completed

- FDIC (or NCUSIF for credit unions) insurance or protection under state law against loss of your balance due to failure of the financial institution holding your account’s funds (Note: FDIC/NCUSIF offers far greater protection for consumers than state money transmitter laws.)

- A monthly statement or easy, free online access to account activity

The Consumer Financial Protection Bureau (CFPB) has proposed strong new rules that would mandate federal consumer protections for all prepaid card users. The proposal would require prepaid card companies to limit consumers’ losses when funds are stolen or cards are lost, investigate and resolve errors, provide free and easy access to account information, and adhere to credit card protections if a credit product (i.e., overdraft coverage) is offered in connection with a prepaid account. The CFPB is also proposing new prepaid disclosures that would give consumers clear information upfront about the costs and risks of prepaid products. The rules are expected to be established in late 2015, though they most likely would not take effect immediately. Until that happens, be aware of the limitations and the variation in policies from card issuer to card issuer. (Get details about the proposed rules at the CFPB website:

[www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/.](http://www.consumerfinance.gov/newsroom/cfpb-proposes-strong-federal-protections-for-prepaid-products/))

**Assign** the “Credit, debit or prepaid?” exercise (page 17). Have participants complete the exercise individually or in small groups. Do not advance to the next slide until participants are finished with the exercise. Answer key is on page 18.

## PREPAID CARD FEES (25 min)

**Learning objective:** Be aware of the types of fees that are generally associated with prepaid cards, what constitutes typical card fees and how to avoid or reduce fees.

### Key points (slides 8-9):

- All payment cards (credit, debit and prepaid) assess fees for certain activities.
- Types and amounts of prepaid card fees can vary widely, so it’s very important to compare costs among card options.
- There are many consumer friendly prepaid cards that assess reasonable fees and that are “transparent” in their fee disclosures (in other words, no hidden costs). There are also many cards that are very expensive and not upfront about their fees: Buyer beware!
- There are ways to avoid or reduce prepaid card fees. Understanding exactly how your card works (when fees are assessed) enables you to use and manage it in a way that reduces your costs.

### Questions to generate discussion:

- What do you think is a reasonable monthly cost for using a checking account or prepaid card?
- Do you take steps to avoid fees on the financial products you currently use (checking account, cards, etc.)? If so, what choices do you make to avoid a fee (for example, visiting an in-network ATM a block away rather than using the out-of-network ATM next door)?

### ➔ SLIDE #8

**Introduction:** Fees are not uncommon on financial products and services, but the types and amounts of fees can vary greatly. Some accounts charge relatively high fees compared to other accounts and also make it nearly impossible to avoid them. But many others are upfront about the potential costs, charge competitive fees compared to similar accounts and enable consumers to avoid or minimize fees by using the account in certain ways. Knowing what fees you might run into with a prepaid card, the general range of fee amounts that are typically charged and the ways you might be able to avoid or reduce fees will help you choose and manage a prepaid card so that your costs are reasonable.

**Go over** slide notes.



**Slide notes:** Like other financial accounts, prepaid cards assess fees for certain activities. Being familiar with the potential fees and understanding what fees (types and amounts) are typical will help you choose a good card. Understanding how to reduce fees or even avoid them entirely will help you make money-saving choices when purchasing a card and using your account.

#### Potential fees:

- **Purchase and activation (initial load) fees:** One-time charges when you obtain the card; they can range from \$0 to \$30 or more, combined. Many cards don’t charge an activation fee, and you can

find cards, especially online, without a purchase fee. But watch out for cards that make up for that by assessing a high monthly service fee or transaction fees.

- **Reloading fee:** Assessed for adding funds to your account; they can vary widely, from \$0 to \$5 or more per reload, depending on the source of funds (credit card or bank account transfer, cash at an agent, direct deposit, PayPal). A third-party fee could be charged by a retailer or other business that accepts in-person loads on behalf of the card issuer. Cards that charge this fee sometimes waive it if you use direct deposit or load a certain amount onto the card for the month. Otherwise, try to find a card that either doesn't charge a reloading fee, offers ways to avoid or reduce it, or charges a relatively low fee.
- **Monthly service (maintenance) fee:** Can be as much as \$9.95/month, though some cards don't charge anything. Many cards waive or reduce the monthly fee if you choose a plan that charges a purchase transaction fee, which could save infrequent card users money. Of those cards that assess this fee, as many as half reduce or waive it if you use direct deposit to reload or if you meet a minimum monthly reload requirement (though minimums can be quite high.)
- **Purchase transaction fee:** A fee—say, 49¢ to \$2—that is charged for each purchase transaction; sometimes applied to *either* "debit" (PIN) transactions *or* "credit" (signature) transactions rather than both types. Many cards don't charge a transaction fee for customers who pay a monthly fee, which could save frequent card users money. Don't pay both a monthly maintenance fee *and* a purchase transaction fee. If you choose to pay a purchase transaction fee, make sure there is a monthly limit (say, \$10), after which you don't pay any fees for additional transactions.
- **Declined transaction fee:** Assessed by some cards if you try to make a transaction without sufficient funds in your account and you don't have overdraft coverage. Not all cards charge this fee—look for one that doesn't. If your card does, make sure you know your balance at all times so that you can avoid having a transaction declined.
- **Overdraft fee:** Assessed when you spend more than you have in your account and the card allows overdrafts—not an option on most cards. The best way to avoid this fee is to choose a card that doesn't allow overdrafts. If your card does allow overdrafts, ensure you don't overdraw your account by always knowing your available balance.

## → SLIDE #9

Go over slide notes.



**Slide notes:** Here are more potential fees and ways to reduce or avoid them.

- **ATM withdrawal fee:** Charged for cash withdrawals from ATMs; some card issuers charge it only on out-of-network ATMs and/or only after you've used any free withdrawals the issuer may allow. Virtually all prepaid card issuers charge a fee (usually \$1 to \$3) for withdrawing money from an out-of-network ATM, and it's likely you'll also pay a surcharge assessed by the owner/operator of the ATM. Look for a card that offers at least one or two free ATM withdrawals per month (preferably more) at conveniently-located network ATMs. Avoid using out-of-network ATMs. An easy way to avoid ATM fees is to get cash back when making a "debit" purchase at a grocery store or certain other merchants. But remember that choosing "debit" can also mean you won't be able to rely on consumer protections that may be available only when you choose "credit."
- **ATM balance inquiry fee:** This fee, typically ranging from 49¢ to \$2, is charged for checking your balance at an ATM. You shouldn't have trouble finding cards that allow free in-network ATM balance inquiries. But virtually all cards allow you to sign up to access your account online, where you can check your balance as often as you want for free.

- **Bill-pay fee:** Assessed when you pay a bill with your card; many cards offer free bill payments. If you plan to use your card to pay bills, look for a card that doesn't charge a fee for bill payments—they're out there. If you can't find a card without a bill payment fee, choose a card that charges a relatively low fee compared to other cards. (Note: Bank-issued prepaid cards may not offer a bill-pay feature. If this is important to you, confirm before you choose a card. Alternatively, you can provide your card account number to pay bills for creditors, utilities, etc. that accept card payments.)
- **Funds transfer fee:** If you need to transfer money to another account, there may be a fee. If you plan to transfer funds regularly, look for a card that doesn't charge this fee.
- **Foreign transaction and currency conversion fees:** Charged for using your card outside the U.S. It's not uncommon for card issuers to charge one or both fees when you use your card internationally. If you plan to use your card outside the U.S., choose a card with lower-than-average fees in this category.
- **Inactivity fee:** Charged if you don't use your card for an extended period (typically three months or longer). The fee—both the amount and the period after which it is assessed—can range widely. If you think there might be periods when your card goes unused, consider this fee when shopping around. Make sure that the inactivity fee does not exceed the regular monthly service fee or the monthly per-transaction fee limit. Many cards that assess an inactivity fee won't do so if you have at least made a balance inquiry, an ATM withdrawal or a call to customer service once during the month (even if you haven't made a purchase).
- **Paper statement fee:** Many, if not most, cards charge a fee to send you a paper statement—as much as \$5.95 or more. You can easily avoid this fee by checking your statements and account activity online. Don't choose a card that charges a fee for accessing your account online.
- **Customer service fee:** You shouldn't have to pay a fee to talk to a live customer service representative, but some card issuers charge for that. There are plenty of cards that don't charge a fee to talk to a live customer service representative, so shop around.
- **Other fees:** Miscellaneous other fees—for example, a fee to replace a lost card or a fee to close the account (each of which can be \$10 or more, though many cards charge less or even nothing)—are either avoidable or assessed so infrequently as to not be a significant factor when choosing a card (as long as you're not likely to lose your card and not planning to close the account after a short period).

In addition to the types and amounts of fees, the “transparency” of the fees is very important. Any card you choose should list all potential fees very clearly. Because card packaging might not allow disclosure of all fees, it's best to check the card's website. Only by knowing exactly what fees you could be charged can you make a well-informed choice.

## **REWARDS, FEATURES AND BENEFITS (10 min)**

**Learning objective:** Be aware of the “extras” that some prepaid cards offer, and their potential costs and limitations, so that you can make a wise card choice.

### **Key points (slides 10-11):**

- Some prepaid cards offer rewards programs, features and cardholder benefits similar to those traditionally offered by credit cards.
- If “extras” are very important to you, check their availability along with costs and/or limitations for any card you consider.
- Don't choose a card that will cost you more just to get rewards—generally speaking, they don't outweigh the added cost.
- A savings feature on a prepaid card might be an option to consider if you can't get a traditional bank savings account and the fees are very low.

## Questions to generate discussion:

- What kinds of “extras” are important to you on a card you currently carry (credit, debit or prepaid)? Why? Do you pay extra for them? Would you be willing to? How much are they worth to you?

### → SLIDE #10

**Introduction:** Credit cards have long competed for customers by offering rewards programs, cardholder benefits and special features, and now some prepaid cards have joined in with their own rewards programs and cardholder benefits. Points, cash back, roadside assistance and other perks can be enticing, but before you choose a card based on these kinds of offerings, you should understand the possible trade-offs.

Go over slide notes.



**Slide notes:** Some prepaid cards now offer rewards programs (points, cash back, etc.) similar to those offered by credit cards, as well as cardholder benefits such as roadside assistance, traveler’s assistance and “purchase protection.”\*

Beware of cards that offset the cost of these benefits with high fees—they are not cost effective.

Terms on rewards programs and cardholder benefits vary, and there are usually exclusions, so check your card agreement carefully for details. Research the availability of and restrictions on these benefits before you select a prepaid card if they are important enough to you to influence your decision.

*\*Purchase protection typically extends the standard manufacturer’s warranty; reimburses you for lost, stolen or broken items purchased with the card; and/or credits you the difference between what you paid for an item and a lower advertised price within a certain time frame.*

### → SLIDE #11

Go over slide notes.



**Slide notes:** Some prepaid cards offer a savings feature. If you have low savings and are unable to open a traditional bank or credit union savings account, a prepaid card with a savings feature may be an option to consider. Not all prepaid cards offer such a feature, so you’d have to shop around.

Be aware that those prepaid cards that do allow you to set aside money sometimes put a cap on the amount you can accumulate. Or, they may require you to maintain a minimum balance or make automatic monthly deposits in order to open an account or earn interest, or put a cap on the portion of your savings that can earn that eye-catching interest rate. And since you can only make

deposits and withdrawals via the prepaid card, you could incur fees for every savings-related transaction—something to watch out for.

Also, unless you have a written guarantee that any account funds that are lost or stolen would be replaced, you could lose all your savings. Even if your prepaid card has a policy of reimbursing lost funds, it is voluntary and could change at any time. (Federal rules requiring reimbursement are being considered, but have not been approved or implemented yet.)

If you can manage it, open a traditional savings account at a bank or credit union. Such an account would offer the added benefit of a relationship with a financial institution that might be able to help you open other types of accounts or take out loans and build credit in the future.

## SHOPPING FOR A PREPAID CARD (30 min)

**Learning objective:** Understand where to find prepaid cards, what to consider when shopping for one and how to compare options.

### Key points (slide 12-13):

- It's better to carefully research your prepaid card options than buy one off the rack at a retailer or respond to a marketing pitch.
- The only way to make an accurate card comparison is to calculate what a card will cost you the way you plan to use it.
- Card comparison websites make it easy to evaluate many available options to find the best one for your needs.

### Questions to generate discussion:

- Do you comparison shop for the things you buy (groceries, clothing, electronics, etc.)? Why or why not? How did you choose the credit card(s) in your wallet? Your checking account? Other financial products?
- Do you use websites to help you compare products and services before you make a decision? Why or why not?

### ➔SLIDE #12

**Introduction:** Like other financial products and services, prepaid cards are offered by a variety of sources. But the easiest source—a retailer's rack—is generally not the best. It takes time and effort to make the best choice about anything—a new home, a mortgage, a smartphone—and a prepaid card that you might use for years is no different. Fortunately, there are tips and tools to help you research your options and compare choices.

Go over slide notes.



### Shopping for a prepaid card

**Slide notes:** Prepaid cards typically are sold online or through retailers. Many banks now also offer prepaid cards. You should research your options carefully rather than choosing a card off the rack or responding to a marketing pitch. Before purchasing a card at a retailer, visit the card issuer's website to get the full list of terms and fees, which are too lengthy to fit on card packaging. (You might be able to avoid a purchase fee by buying the card online rather than in a store.)

- The "cardholder agreement" outlines the terms and conditions under which a card is issued and should include everything you need to know about the card's fees (including how you might be able to reduce or avoid them), any features and benefits the account offers, and how to exercise your consumer rights and protect your privacy.
- "Test drive" the card's customer service by emailing a question and calling the toll-free number.
- When comparing fees, make sure you consider what the card will cost you **the way you intend to use it**. For example, if you rarely or never travel outside the U.S., then foreign transaction and currency

conversion fees shouldn't factor heavily into your cost analysis. Likewise, if you only plan to use the card for three or four purchases a month, then a card with a mandatory \$10 monthly maintenance fee won't be as attractive as one that gives you the option to instead pay a low per-purchase fee. Choose a card that makes it easy to keep costs low. And be sure that you can reload the card conveniently, the way you want to, at no cost and that there are free in-network ATMs near your home or work.

- After identifying which card has the features you want at the lowest cost, submit your application. Typically, a card issuer will ask for identifying and contact information such as your name, address, birthdate and a government-issued identification number (Social Security number (SSN), individual tax identification number (ITIN), passport number, driver's license number or matrícula consular number). If you plan to load your new card from a bank account, credit card or other source, you'll need to provide that information, too. You can expect to receive your card in about one to two weeks. Follow the activation and registration instructions, and sign the back of the card.

➔ **SLIDE #13** (Instructor's note: If possible, project one or more of these websites on your screen for the group to view together.)



**Slide notes:** Card comparison websites make it easy to shop around. But be aware that not all comparison sites reveal all available options in their search results. It's best to use a few sites and then narrow down your list to a few cards for a side-by-side comparison.

Here are some websites that can help you compare your prepaid card options:

- Bankrate ([www.bankrate.com/credit-cards/prepaid-debit-cards.aspx](http://www.bankrate.com/credit-cards/prepaid-debit-cards.aspx))
- CardHub ([www.cardhub.com/prepaid-cards/](http://www.cardhub.com/prepaid-cards/))
- CardRatings.com ([www.cardratings.com/prepaid-cards.html](http://www.cardratings.com/prepaid-cards.html))
- Credit.com ([www.credit.com/credit-cards/prepaid-cards/](http://www.credit.com/credit-cards/prepaid-cards/))
- CreditCards.com ([www.creditcards.com/prepaid.php](http://www.creditcards.com/prepaid.php))
- CreditCards.org ([www.creditcards.org/prepaid-debit-cards--2](http://www.creditcards.org/prepaid-debit-cards--2))
- NerdWallet ([www.nerdwallet.com/prepaid/](http://www.nerdwallet.com/prepaid/))
- Visa Clear Prepaid ([www.visa.com/visaclearprepaid](http://www.visa.com/visaclearprepaid))

There are many other similar card comparison sites.

Consumer Reports and other publishers release prepaid card surveys periodically ([www.consumerreports.org/cro/prepaid-cards/buying-guide.htm](http://www.consumerreports.org/cro/prepaid-cards/buying-guide.htm)). You can also shop for cards at the Visa, MasterCard, Discover and American Express websites.

**Assign** the “Shopping for a prepaid card” case studies (page 19). Give one case study to each of five small groups or pairs. At the end of the exercise, ask each group or pair to explain its account recommendation for the consumer(s) in the assigned scenario. Answer key is on pages 22-23.

## USING YOUR CARD AND MANAGING YOUR ACCOUNT (20 min)

**Learning objective:** Understand how to use and manage your prepaid card account wisely.

**Key points (slides 14-15):**

- Registering your card is very important because it qualifies you for certain account protections and allows you to take advantage of certain account functionality.

- Planning ahead may allow you to avoid certain fees, an “authorization hold” or an account freeze.
- Most cards offer tools to help you use and manage the card account wisely.

### Questions to generate discussion:

- Do you get text or email alerts for any of your accounts now? Do you find them helpful?
- Have you ever had an authorization hold on your card that tied up some of your funds? Did this surprise you?
- What practices help you keep your accounts safe from intruders?
- Do you read “change of terms” notifications you get for your various accounts? If no, why not?

### ➔SLIDE #14

**Introduction:** Being a savvy consumer doesn’t stop after you’ve chosen your card and opened your account. Any financial account is a long-term relationship, and you have to treat it as such. That means starting out strong by setting up the functionality of your account, understanding the best ways to use your account, monitoring your account and protecting your account.

Go over slide notes.



#### Using your card

**Slide notes:** Once you’ve chosen your prepaid card account, turn your attention to using it wisely.

- If you purchased your card at a retailer, the first thing you should do is register it, which means providing your personal information to the card issuer. Generally, registration is required to get your money back if the card is lost or stolen, to use direct deposit, to withdraw cash, to make purchases online (some merchants require a valid “billing” address), etc.
- If you plan to have your income direct deposited to your prepaid card, set that up with your employer or other payer. Contact the card issuer if you need guidance.
- Know if there are fees, rewards or consumer protections associated with one type of transaction or the other (debit/PIN vs. credit/signature) so that you can make a wise choice each time you use the card. (You will most likely receive the greater security protections normally extended to signature transactions even when you aren’t able or required to sign for the purchase (for online, phone and mail orders and some small-dollar transactions—usually under \$25 or \$50), but check with your card issuer.)
- Plan ahead for getting cash so that you can avoid a fee either by visiting a free ATM or by making a purchase at a grocery store or certain other merchants where you can get “cash back” for free.
- If you want to make a purchase that costs more than the balance on your card, ask the merchant *before* the transaction begins whether you can pay the remainder with another form of payment (cash, check or other payment card). This is called a “split tender” transaction and generally requires you to know the balance on your card (particularly important if you have a card that charges a declined transaction fee).
- Plan ahead if you use your card for a transaction that could result in an “authorization hold” on some of your funds. For example, when you pay at the pump for gas, the card issuer typically puts a hold on funds to cover the estimated cost of the transaction. The hold tends to range from \$50 to \$125, and typically drops off within 24 hours, but could stay on for up to 72 hours. You can avoid a hold by handing your card to the cashier before pumping, and then retrieving the card afterward. Other businesses that place holds include restaurants (to cover the estimated tip) and hotels (to cover incidental charges to your room—phone and room service, for example—between the time you check in and check out). (Authorization holds are common on credit and debit cards as well.)

- You can use most reloadable prepaid cards in other countries, but it's best to check with the card issuer. Notify the card issuer before leaving the U.S. so that your account isn't frozen as a fraud protection measure.

➔ **SLIDE #15**

Go over slide notes.

Managing your account

- Set up online account / download app
- Sign up for alerts
- Monitor transactions
- Check for changes

**Slide notes:** Take advantage of technology to manage your account

- Register for an online account. This will enable you to view your transactions online, use the bill-pay service and more. If you plan to access your account from a mobile device (smartphone or tablet), download the app.
- Sign up for text and/or email alerts that notify you if your balance is low, if there has been a large transaction, etc.
- If paper statements are automatic and incur a fee, opt out and instead view your statement online.
- Log in to your account regularly at the cardholder website to view

transactions and the card balance.

- To protect your account, always log out and close the browser or app when you are finished. Do not allow your password to be saved by the system.
- Pay attention to notifications from the card issuer—they could announce important changes to your card terms. However, since there's no requirement for prepaid card issuers to notify you of a change in terms, check the website regularly for change notices.
- If you have not received a replacement card by the expiration date on your card and you want to continue using the account, contact the card issuer.

## RESOURCES (5 min)

**Learning objective:** Know where to go to find more information about prepaid cards and assistance when you have a problem.

➔ **SLIDE #16**

**Introduction:** There are many resources available to help consumers learn more about payment cards in general, and prepaid cards specifically. The free resources on this slide are offered by sources you can trust. You can find many more resources by following some of the links that these resources provide.

Go over items on slide per slide notes.

Resources

- Consumer Financial Protection Bureau (CFPB) ([www.consumerfinance.gov](http://www.consumerfinance.gov))
- Federal Trade Commission (FTC) ([www.consumer.ftc.gov](http://www.consumer.ftc.gov))
- Consumer Action ([www.consumer-action.org](http://www.consumer-action.org))
- KnowYourCard.org ([www.knowyourcard.org](http://www.knowyourcard.org))

**Slide notes:** For specific questions about a particular card, contact the card issuer at the number on the card or on the card website. The following are sources of general information and assistance for cardholders and card shoppers.

- Consumer Financial Protection Bureau (CFPB): [www.consumerfinance.gov](http://www.consumerfinance.gov) / 855-411-CFPB (2372)

The CFPB is tasked with creating and enforcing rules governing financial products and services, including prepaid cards. To find general information, visit the CFPB website and search for "prepaid cards." You can also file a complaint against a card issuer or

financial institution online ([www.consumerfinance.gov/complaint/](http://www.consumerfinance.gov/complaint/)) or by phone.

- Federal Trade Commission (FTC): [www.ftc.gov](http://www.ftc.gov) / 877-382-4357

The FTC works for consumers to prevent fraudulent, deceptive and unfair business practices and to provide information to help spot, stop and avoid them. Materials offered by the agency helps consumers make wise choices.

- Consumer Action: [www.consumer-action.org](http://www.consumer-action.org) / 415-777-9635 / [hotline@consumer-action.org](mailto:hotline@consumer-action.org)

Consumer Action offers free information and advice on choosing and using prepaid cards as well as many other personal finance, housing, privacy and consumer protection topics. Hotline counselors speak English, Spanish and Chinese. Connect with Consumer Action at [facebook.com/consumeraction](https://www.facebook.com/consumeraction) and follow the organization on Twitter [@consumeraction](https://twitter.com/consumeraction).

- KnowYourCard.org: [www.knowyourcard.org](http://www.knowyourcard.org)

A project of Consumer Action and Visa, this online payment card rule book explains everything consumers need to know about using credit, debit, prepaid and gift cards safely and wisely.

*(Note: If you can project your computer screen, visit one or more of the sites to show participants what they will find.)*

## QUESTIONS AND ANSWERS (10 min)

**Preparation:** Review the *Choosing a Prepaid Card* brochure and the trainer's manual, *Questions and Answers About Choosing a Prepaid Card*.

Open the floor to questions. If time is short, offer to take additional questions after the class or at another time.

## WRAP-UP AND EVALUATION (5 min)

### ➔ SLIDE #17



See page 24 for the course evaluation form and instructions.

Thank participants for joining you today and ask them to fill out the evaluation form and leave it on a table or in a large envelope you provide. If you will be conducting other trainings at a specific future time, announce that now and encourage everyone to attend.

## Credit, debit or prepaid?

For each profile below, identify which payment option—credit card, debit card/checking account or prepaid card—best meets the needs of the consumer(s). There could be more than one good choice—name all options that would work based on the information provided. Be prepared to explain your reasoning.

- 1) Carl has many hobbies—building dollhouses, collecting antique fishing lures and painting, to name a few—and often buys collectibles and supplies for his projects online because they are difficult to find in the small town where he lives.  

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- 2) As Millie has gotten older, she has begun hiring individuals to help her do many of the things she used to do herself. She now pays a gardener twice a month, a housecleaner weekly and a dog walker whenever her arthritis acts up and she can't take Jax to the park.  

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- 3) Joe and Lara have just divorced. During the year leading up to their split, they lost control of their finances, accumulating debt, missing bill payments, allowing their credit cards to go into collections, overdrawing their checking account and eventually abandoning the account. Now that they are on their own, each needs to find a way to pay bills, make purchases and receive their paycheck.  

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- 4) Since Chris and Leslie paid off all their debt last year, they have adopted a “no credit” policy for their personal finances. They still want to take advantage of the safety and convenience of “plastic” and be able to get cash whenever they need it at a local ATM or the grocery store.  

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- 5) Jill relies on her '98 Toyota Corolla to get her to and from work and to make weekly visits to her elderly mother about 60 miles away. She worries about her old car breaking down and how she would pay for urgent repairs.  

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- 6) Anthony just got out of college. He already has a checking account, but his parents have advised him to begin building a strong credit history so that it will help him get his first apartment, qualify for an auto loan and maybe even help him qualify for a job.  

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- 7) Dana and Taylor have been using money orders to pay their bills but they don't like the cost or the inconvenience. They want to begin paying their bills electronically.  

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## Credit, debit or prepaid? (Answer key)

- 1) **CREDIT CARD:** Consumers who have the option should use a credit card when making purchases on the Internet because they offer significantly greater protections than debit or prepaid cards do. For example, credit card customers have the right to dispute fraudulent or erroneous charges—including those for undelivered or damaged goods—within 60 days of when the charge first appears on a billing statement. And liability for fraudulent or erroneous credit card charges is limited to \$50 by law. (Your liability may be nothing if the card issuer has a “Zero Liability” policy.) With a debit card, your liability is limited to \$50 only if you dispute the charge within two days. After two days, you could be liable for up to \$500. Beyond 60 days, you could be liable for all unauthorized transactions. What’s more, while credit card disputes are in progress, the funds are temporarily restored to your account. During a debit card dispute, the money could be gone until you either successfully win the dispute or the bank provides you provisional credit until it finishes the investigation. While that could happen as quickly as within 24 hours, the law says the bank has up to 10 days. The dispute rights offered on prepaid cards, if any, are voluntary. Additionally, certain credit cards may offer additional benefits that other types of cards do not, such as an extended warranty.
- 2) **CHECKING ACCOUNT:** Since many very small businesses, freelancers and contractors don’t accept payment cards, Millie’s best option for paying her independent service providers is a checking account. She can write checks as needed, or can set up each payee in her checking account online bill-pay system and make payments as needed with just a few clicks. (The bank will send the checks as requested.)
- 3) **PREPAID CARD:** Because Joe and Lara’s past credit card accounts went into collections, their credit history is severely damaged and they are unlikely to be able to get another traditional unsecured credit card at this point (although a secured credit card, which requires a deposit typically equal to the credit limit, may be an option). If they abandoned their checking account with a negative balance (due to unpaid overdraft and/or account maintenance fees), they are most likely listed in ChexSystems, a database used by banks to determine whether or not an account applicant has mishandled a checking or savings account in the past, and will not be allowed to open a new checking account yet. Their best option now is probably a prepaid card since they can get one regardless of their credit or banking history, and it would enable them to pay bills, make purchases and have their paychecks direct deposited onto the card.
- 4) **CHECKING ACCOUNT DEBIT CARD OR PREPAID CARD:** If Chris and Leslie want the benefits of using a payment card without the risk of accumulating debt, they could use either a checking account debit card or a prepaid card. If they don’t have a checking account and can’t qualify for one due to past banking problems (a mishandled or abandoned account), then a prepaid card would be their only option. There may be an additional monthly fee for a second card (so that Chris and Leslie can both access the account). Assuming they can qualify for a checking account, that would most likely be a better option: They can make purchases, pay bills, write checks and get cash, probably with few or no fees, and they would not have to pay extra for a second debit card.
- 5) **CREDIT CARD:** We don’t have information about Jill’s credit score or what financial accounts she currently has, but assuming that she would qualify for a traditional unsecured credit card, that would offer the advantage of being able to borrow money to cover a major repair that she couldn’t otherwise afford and repay it over time. (Of course, she will pay interest on the borrowed funds.)
- 6) **CREDIT CARD:** A credit card is the only payment option that will help Anthony establish a credit history.
- 7) **CREDIT CARD, CHECKING ACCOUNT/DEBIT CARD, PREPAID CARD:** Dana and Taylor could use a credit card or prepaid card to pay their bills and avoid the cost and inconvenience of money orders. However, if they can qualify for a free or low-cost checking account, that will be their best option. Not only would it probably be less expensive than a prepaid card, it would provide the flexibility to pay their bills electronically and by check and also enable them to develop a relationship with a financial institution, which could be helpful in the future.

## **“Shopping for a prepaid card” case studies**

*Read each profile below and determine which of the four available accounts you would advise the consumer(s) to open based on their expressed needs and intended use. There is not necessarily a single ideal account choice for any scenario, so you'll have to weigh the options and choose the one that, in your opinion, is the best. Explain why you are recommending a particular account—be as detailed as possible in your reasoning.*

- 1) Joelle is a newly divorced mother of two older teens, Jordan and Jacob. In choosing a payment account, Joelle's main priorities are to provide additional cards to her children so that she can dole out their allowances and school expenses, and to pay all her bills online. Joelle is self-employed as a home health aide and typically is paid in cash, which she uses to make most of her purchases (groceries, gas, etc.), and will use to make weekly deposits into her new account.
  
- 2) Sandy and Liam are world travelers. The well-off retirees are looking for an account that they can deposit travel funds into occasionally that will allow them use a card overseas at a low cost. They already have a checking account that they use for direct deposit of their retirement checks, to pay bills, to get cash and to make purchases, but the debit card that comes with it carries very high international transaction, ATM and currency conversion fees and they don't like the idea of traveling with a card that would provide a thief access to their entire household checking account balance.
  
- 3) Benny cannot get a checking account due to an outstanding negative balance on an account he abandoned last year (he had trouble keeping track of his balance and accrued multiple overdraft fees each month, which he couldn't afford to repay). He has narrowed down his prepaid card choices to the SpendWorthy card, but he's not sure whether to choose the “Unlimited” plan or the “Pay as You Go” plan. He does not have any income that will be direct deposited—he will load money onto the card in cash approximately four times per month. He will pay approximately six bills per month via the bill-pay service and will probably make 15 purchase transactions per month. (He'll get “cash back” when he makes purchases at the grocery store.)
  
- 4) Leon wants an account that allows him to direct deposit his monthly paycheck and make bill payments (probably a dozen or so per month). He also really wants a savings account so that he can begin saving some money from each of his weekly paychecks toward the downpayment on a good used car. A high interest rate is important to him since it will help his savings grow and enable him to get his new car that much faster.
  
- 5) Liam and Sam just got married and want to open a joint account that will help them start building a good credit history. (Incidentally, Sam is a runner whose favorite brand is Nike.)

## Account options for case studies

### SpendWorthy Prepaid Card (Unlimited Plan)

FEE TYPE	AMOUNT	FEE TYPE	AMOUNT
Purchase	\$8.95	Bill Payment	No fee
Activation	No fee	ATM Balance Inquiry (in network)	No fee
Monthly Maintenance (w/DD)	No fee	ATM Balance Inquiry (out of network)	\$3.00
Monthly Maintenance (w/out DD)	\$5.95	Extra Cards (monthly)	\$5.95
Direct Deposit	No fee	Paper Statement	\$3.00
Reloads (cash or funds transfer)	\$2.95	Live Customer Service	No fee
Purchase Transaction	No fee	Online Account Access	No fee
Declined Transaction	No fee	International Transaction	\$3.00
ATM Withdrawal (in network)	\$0.00	International ATM Withdrawal	\$5.00
ATM Withdrawal (out of network)	\$3.00	Currency Conversion	3%
Funds Transfer	No fee	Overdraft	N/A

**Notes:** DD = Direct Deposit. Overdrafts not permitted. Card issuer offers voluntary “Zero Liability.”

### SpendWorthy Prepaid Card (Pay as You Go Plan)

FEE TYPE	AMOUNT	FEE TYPE	AMOUNT
Purchase	\$8.95	Bill Payment	\$1.00
Activation	No fee	ATM Balance Inquiry (in network)	\$1.00
Monthly Maintenance (w/DD)	No fee	ATM Balance Inquiry (out of network)	\$2.00
Monthly Maintenance (w/out DD)	No fee	Extra Cards (monthly)	\$5.95
Direct Deposit	\$1.95	Paper Statement	\$5.00
Reloads (cash or funds transfer)	\$1.95	Live Customer Service	No fee
Purchase Transaction (\$12/mo cap)	\$1.00	Online Account Access	No fee
Declined Transaction	\$1.00	International Transaction	\$3.00
ATM Withdrawal (in network)	\$1.00	International ATM Withdrawal	\$5.00
ATM Withdrawal (out of network)	\$3.00	Currency Conversion	3%
Funds Transfer	\$2.00	Overdraft	N/A

**Notes:** DD = Direct Deposit. Overdrafts not permitted. Purchase transaction fees are capped at \$12/month. Card issuer offers voluntary “Zero Liability.”

### Celebrity's Choice Prepaid Card

FEE TYPE	AMOUNT	FEE TYPE	AMOUNT
Purchase	\$9.95	Bill Payment	\$1.00
Activation	\$5.95	ATM Balance Inquiry (in network)	\$2.00
Monthly Maintenance (w/DD)	\$3.95	ATM Balance Inquiry (out of network)	\$2.00
Monthly Maintenance (w/out DD)	\$5.95	Extra Cards (monthly for each)	\$1.95
Direct Deposit	\$1.00	Paper Statement	\$5.00
Reloads (cash or funds transfer)	\$2.95	Live Customer Service	\$2.00
Purchase Transaction	No fee	Online Account Access	No fee
Declined Transaction	\$2.00	International Transaction	No fee
ATM Withdrawal (in network)	\$2.00	International ATM Withdrawal	\$2.00
ATM Withdrawal (out of network)	\$5.00	Currency Conversion	1%
Funds Transfer	\$2.00	Overdraft	\$20.00

**Notes:** DD = Direct Deposit. Cardholders earn one point for each dollar spent, redeemable for Nike merchandise. Cardholders have the option to open a linked savings account paying 1.25% interest (APY); all savings-related transactions (deposits/withdrawals/transfers) incur a \$2 fee.

### CheckWrite Checking Account

FEE TYPE	AMOUNT	FEE TYPE	AMOUNT
Account opening/application	\$9.95	Bill Payment	No fee
Check order (1,000 checks)	\$5.95	Stop Payment	\$15.00
Monthly Maintenance (w/DD or \$1,500 minimum balance)	No fee	Paper Statement	No fee
Monthly Maintenance (w/out DD or min.)	\$5.95	Live Customer Service	No fee
ATM Withdrawal (in network)	No fee	International Transaction	No fee
ATM Withdrawal (out of network)	\$3.00	International ATM Withdrawal	\$3.00
ATM Balance Inquiry (in network)	No fee	Currency Conversion	2%
ATM Balance Inquiry (out of network)	\$2.00	Overdraft ("courtesy"/standard)	\$30.00

**Notes:** DD = Direct Deposit. Accountholders have the option to open a no-fee linked savings account that pays 0.25% interest (APY). Overdrafts covered by automatic transfers from savings incur a \$15 fee.

## “Shopping for a prepaid card” answer key

1) Because Joelle’s priority is to provide additional cards to her two children, the checking account option is not ideal—it is unlikely she’ll be able to get additional debit cards for her children since they are not joint accountholders. Also, she’d have to pay a \$5.95 monthly maintenance fee on the checking account because she wouldn’t be using direct deposit. (On the upside, bill payments would be free.)

Joelle can get additional cards with all three of the prepaid card accounts. They would cost her \$5.95 each (\$11.90) per month with either of the SpendWorthy prepaid card accounts. Online bill payments, which are another priority, are free with the Unlimited plan, but she would incur a \$5.95 monthly maintenance fee on that plan because she is not using direct deposit, and would also have to pay \$2.95 for each of her weekly reloads. Bill payments cost \$1 each on the Pay as You Go plan, but there is no monthly maintenance fee, and reloads are only \$1.95. Between these two options, it would come down to how many bills Joelle pays each month—if more than six, then the Unlimited plan would be the better option. If less than six, then the Pay as You Go plan would be the better option—unless there are other things to consider that we haven’t been told (for example, whether or not she plans to transfer funds or is likely to have declined transactions, both of which incur fees on the Pay as You Go Plan but not on the Unlimited plan).

The Celebrity’s Choice card would charge only \$3.90 per month for the two extra cards. Like the SpendWorthy Unlimited plan, it would charge a \$5.95 monthly maintenance fee without direct deposit and \$2.95 per cash reload. It would also assess the same \$1 fee per bill payment as the SpendWorthy Pay as You Go plan. Since Joelle is tech-savvy enough to want to pay her bills online, the card’s fees for balance inquiries aren’t likely to cost her anything. Nor are the ATM withdrawal fees, since Joelle typically has plenty of cash on hand. Purchasing and activating the card costs a bit more (\$15.90 vs. \$8.95) than the SpendWorthy cards, but this would not be an important consideration if Joelle plans to keep the card for the long term.

Joelle’s best option if she pays nine or fewer bills per month is the SpendWorthy Pay as You Go plan. The Unlimited plan is better if she pays 10 or more bills. If she ever increases her reload frequency, she might want to reconsider since the Unlimited plan charges \$1 more per cash reload than the Pay as You Go plan does.

(Calculations for this scenario: **Unlimited:** \$11.90 (extra cards) + \$5.95 (maintenance) + \$11.80 (reloads) + free bill payments = \$29.65/month; **Pay as You Go:** \$11.90 (extra cards) + \$7.80 (reloads) = \$19.70/month + \$1/bill payment; **Celebrity’s Choice:** \$3.90 (extra cards) + \$5.95 (maintenance) + \$11.80 (reloads) = \$21.65 + \$1/bill payment)

2) The lowest travel-related fees are on the Celebrity’s Choice card—no international transaction fee, a \$2 international ATM fee and only a 1% currency conversion fee. However, there is a monthly maintenance fee of \$5.95 if Sandy and Liam don’t use direct deposit. Plus, there could be an inactivity fee if they don’t use the card frequently enough. The next least expensive option is the checking account. Like the Celebrity’s Choice card, it doesn’t have any international transaction fee, and charges only \$2 for international ATM use. However, it does have a 2% currency conversion fee—1% less than either of the SpendWorthy cards but 1% more than the Celebrity’s Choice card. But Sandy and Liam could avoid a monthly maintenance fee on the checking account by maintaining a \$1,500 balance. Since they are “well-off,” this shouldn’t be a problem. And even if a

thief got a hold of the couple's debit card, their liability would be limited to \$50 if they reported the loss or theft within two business days.

Sandy and Liam's choice will come down to which will cost them more over the course of the year: the additional 1% currency conversion fee on the checking account or the \$5.95 monthly fee on the prepaid card.

The annual maintenance fee on the Celebrity's Choice card would be \$71.40 ( $\$5.95 \times 12$ ). Liam and Sandy would have to spend at least \$7,140 using their checking account debit card during the year to incur \$71.40 in additional currency conversion fees. If they spend more than \$7,140, then the prepaid card is more economical. However, they would forego the federal consumer protections that come with checking account debit cards, and would have to take their chances on any voluntary protections provided by the prepaid card issuer. That might not be worth the savings.

**3)** If Benny's predictions are accurate, the SpendWorthy Unlimited plan would cost him \$17.75 per month ( $\$5.95$  monthly maintenance because he doesn't use direct deposit + four cash reloads at  $\$2.95$  each ( $\$11.80$ )—bill payments and purchase transactions are free. The SpendWorthy Pay as You Go plan would cost him  $\$25.80$  per month (four cash reloads @ $\$1.95$  each ( $\$7.80$ ) + six bill payments @ $\$1$  each ( $\$6$ ) + 15 transactions @ $\$1$  each, capped at  $\$12$ ). The Unlimited plan would be the way to go—it will save him  $\$8.05$  if he uses the account the way he plans. It could save him even more over the Pay as You Go plan if Benny ends up paying more bills, makes in-network ATM withdrawals or thinks he might repeat his past and lose track of his balance (the Unlimited plan doesn't charge a fee for bill payments, in-network ATM withdrawals or declined transactions).

**4)** If a savings account is a priority, Leon's choices are the Celebrity's Choice card and the checking account. The checking account is by far the better choice: Since Lenny will be direct depositing his income, there is no monthly fee for the checking account (there's a  $\$3.95$  monthly fee on the Celebrity's Choice card, plus  $\$1$  per direct deposit). There's also no bill payment fee with the checking account (it would cost him  $\$1$  per bill payment using the prepaid card). While the interest rate on the Celebrity's Choice savings account is much higher (1.25% vs. .25%), the fees on it would wipe out any earnings and more ( $\$2$  per weekly deposit). Leon would have to save  $\$7,000$  in the first year just to earn enough in interest to match the account fees ( $\$7,000 \times .015 = \$105$ ;  $52$  weeks  $\times$   $\$2$  per weekly deposit =  $\$104$ ). Not only would he not be benefiting from his interest earnings, the prepaid card may not offer FDIC insurance, which means Leon's savings would be at risk if the financial institution failed.

**5)** None of the account options will help Liam and Sam build credit. They would have to open a credit card account or take out a loan for that. If they don't already have a checking account, establishing a banking relationship would be a good preliminary step toward eventually building credit (i.e., it would most likely be easier to be approved for credit by an institution that is aware of the couple's responsible banking habits, stability, etc.). They could also get a secured credit card, which would certainly help them build credit.

## Training evaluation: *Choosing a Prepaid Card*

Please help us improve future presentations by giving us your opinion of today's class.  
Circle the response that best reflects your feelings about each statement.

**1. I have a better understanding of how prepaid cards work and their pros and cons.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**2. I feel better prepared to choose a low-cost, consumer friendly prepaid card.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**3. I have a better understanding of the ways I can reduce or avoid prepaid card fees.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**4. I feel better prepared to manage a prepaid card wisely.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**5. I am more aware of resources for choosing a card, learning more and dealing with problems.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**6. The instructor was well informed.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**7. The materials I received are easy to read and understand.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**8. I would like to attend another class like this.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

On a scale of 1 to 10 (10 being the best), how would you rate the training? \_\_\_\_\_

Please let us know how we could improve future trainings (use back, if necessary):

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***Thank you for attending!***