

FACILITATOR GUIDE

# Savvy Saving Seniors®



It's in  
the Cards

**BANK OF AMERICA** 

**nco**   
national council on aging®

This material was prepared by a third party not affiliated with Bank of America or any of its affiliates and is for informational and educational purposes only. The opinions and views expressed do not necessarily reflect the opinions and views of Bank of America or any of its affiliates.

# CONTENTS

<b>Program Overview</b>	<b>3</b>
<b>Facilitator's Preparation</b>	<b>4</b>
<b>Tips for Facilitators</b>	<b>5</b>
<b>Materials Needed</b>	<b>6</b>
<b>Script: How to Facilitate This Session</b>	<b>6</b>
<b>Welcome and Icebreaker Quiz</b>	<b>7</b>
<b>Types of Prepaid Cards on the Market</b>	<b>9</b>
<b>What You Should Know About Government Benefits Cards</b>	<b>11</b>
<b>Tips for Managing Your Government Benefits Cards</b>	<b>15</b>
<b>Case Study: How Mary Manages Her Government Benefits Card</b>	<b>16</b>
<b>What About Other Types of Prepaid Cards?</b>	<b>17</b>
<b>Tips for Managing Other Prepaid Cards</b>	<b>19</b>
<b>What Are Chip and PIN Cards?</b>	<b>20</b>
<b>Case Scenario: A Tale of Three Cards</b>	<b>22</b>
<b>Fees to Consider and Compare</b>	<b>23</b>
<b>Tips from You</b>	<b>25</b>
<b>Cautions and Common Scams</b>	<b>26</b>
<b>Questions?</b>	<b>29</b>
<b>Appendix A: Prepaid Cards at a Glance Infographics</b>	<b>30</b>
<b>Glossary</b>	<b>33</b>
<b>Additional Resources</b>	<b>37</b>

© 2023 National Council on Aging, Inc. All rights reserved.  
Unauthorized use prohibited.

National Council on Aging (NCOA) copyrighted materials may not be reproduced in whole or in part by persons, organizations, or corporations other than NCOA and its affiliates, divisions, and units without the prior written permission of an authorized officer of NCOA.

# Program Overview

## It's in the Cards: Using Prepaid the Right Way

Most consumers, especially older adults, are looking for ways to better manage and protect their money. Government-issued and prepaid cards are becoming a popular alternative to traditional checking accounts and credit and debit cards. However, consumers should also be aware of the fees and downsides associated with using these cards. There are many types of prepaid cards, such as:

- Government benefits cards
- Reloadable prepaid cards
- Gift cards
- Payroll cards

This 60-minute program is designed to provide older adults with the basic information they need to know to manage their government benefits cards, reloadable prepaid cards, gift cards, and payroll cards in a safe and advantageous way.



## Facilitator's Preparation

Before you present, it is important to understand the population you will address and the real challenges they face every day.

### Target Audience:

Low- to moderate-income older adults age 55+

### Economic Status:

Older Americans who are economically insecure, living at or below 250% of the federal poverty level. See <https://aspe.hhs.gov/poverty-guidelines> for current poverty guidelines.

### Financial Challenges:

These older adults struggle each day with rising housing and health care costs, inadequate nutrition, lack of access to transportation, diminished savings, and job loss. For older adults who live above the poverty level, one major adverse life event can change today's realities into tomorrow's troubles.

### Unbanked by the Numbers

- In 2021, of households age 65+, 2.7% were unbanked and 4.6% used prepaid cards. (Source: The Federal Deposit Insurance Corporation's, or FDIC's, 2021 National Survey of Unbanked and Underbanked Households)
- In 2021, while households age 65+ made up 26.9% of the overall household population, they made up 15.9% of the longer-term unbanked population and 20.6% of the recently unbanked population. (Source: The FDIC's 2021 National Survey of Unbanked and Underbanked Households)
- Of the approximate 5.9 million unbanked households in 2021, the top three reasons cited for not having an account were not having enough money to meet minimum balance requirements (21.7%), not trusting banks (13.2%), and avoiding banks to have more privacy (8.4%). (Source: The FDIC's 2021 National Survey of Unbanked and Underbanked Households)

### Transaction Trends

- For households age 65+ using prepaid cards, the list below shows the percentage of those household that reported using their prepaid cards for various types of transactions.

- 59.5% to Make Purchases in Person
- 35.9% to Receive Income
- 33.0% to Make Purchases Online
- 32.9% to Pay Bills
- 23.6% to Save or Keep Money Safe
- 18.4% to Send or Receive Money
- 15.1% for Unspecified Uses
- 4.5% for Some Other Use

*(Source: The FDIC's 2021 National Survey of Unbanked and Underbanked Households)*

## Tips for Facilitators

- Review the guide, and complete your own set of accompanying worksheets.
- Review the suggested length for each topic. This session is designed to be approximately 60 minutes from welcome to wrap.
- As you prepare and present, we encourage you to consider the following:
  - Remember that the people in the room have had a lifetime of experience with money. These experiences have shaped their current opinions and perceptions in regard to financial issues.
  - Most people are no longer working and are no longer saving for retirement. However, the ideal retirement is not their reality.
  - Many are seeking work or want to find other means to make ends meet and need to protect their limited income.
  - Be sensitive to the fact that talking about money is tough for any generation, but this generation is particularly private.
  - Many of those in the room may not have enough income to meet basic needs, but they may suffer in silence.
  - Give the audience members the respect they deserve. These are the people who built our country and raised our society. It is now our turn to give back to help ensure they can age with dignity and enjoy as much of their golden years as possible.



- Consider your own experience with discussing money management concepts with older adults and older relatives: Do you have older parents or grandparents? An aunt, uncle, or close family friend who is 65+? Think about how you treat those family members. How would you want someone to treat them when presenting before them at a community event?
- If you have ever discussed financial issues with family members, think about how that discussion played out. Was it a mutual learning experience, stressful, emotional, or a heated discussion? Get in touch with these feelings, and apply that experience to your presentation.
- As appropriate, consider sharing your own successes and challenges, as doing so is more engaging and effective than simply lecturing.

## Materials Needed

- Laptop computer and projector to display the PowerPoint presentation
- Pencils/pens for participants
- Copies of the *Savvy Saving Seniors: It's in the Cards Participant Handbook*

## Script: How to Facilitate This Session

The following information will help guide you through this presentation. In many ways, this script is just a compass. You are encouraged to add personal stories and advice relevant to the topic.

Under no circumstances are bank associates to sell products during this presentation.

If a question is asked that you are unprepared to answer, offer to follow up with the individual after researching the question with professionals in aging. Please feel free to reach out to the local senior center staff or National Council on Aging (NCOA) staff to address such questions.

We thank you in advance for taking the time to share this important information with the audience. Most importantly, remember to have fun!



## Welcome

### Slide 1

Introduce yourself and express your pleasure in sharing some tips on managing government benefits cards, including Direct Express and EBT; reloadable prepaid cards; gift cards; and payroll cards in a safe and advantageous way.

## Icebreaker

### Slide 2 • 6 Minutes

As an icebreaker, ask participants to complete the quiz in the handbook while waiting for the workshop to start, and then review answers after the welcome. The purpose of the quiz is to provide you, the instructor, with a litmus test of what the audience already knows about the content of the workshop. It is also an icebreaker to initiate discussion about the topic.

**1. Direct Express is a prepaid card payment option for people who receive federal benefits but don't have a bank or credit union account:**

**a. True**

b. False

**2. To deliver SNAP (formerly called food stamps) and other state-administered benefits programs, state food agencies set up EBT systems.**

**a. True**

b. False

**3. If I have direct deposit, I have no need for a prepaid card.**

a. True

**b. False**

**4. A prepaid card is the same as a credit card.**

a. True

**b. False**

**5. Prepaid debit cards always carry the same protections as a debit card, credit card, and checking account.**

a. True

**b. False**

**6. A reloadable prepaid card can be purchased and reloaded, so family members can use it for me.**

**a. True**

b. False

**7. I can use my reloadable prepaid card at ATMs.**

**a. True**

b. False

**8. I can use my prepaid card to pay my bills.**

**a. True**

b. False

**9. A reloadable prepaid card is the same as a debit card.**

a. True

**b. False**

**10. All prepaid cards have different fees and costs.**

**a. True**

b. False



**Slide 3 • 2 Minutes**

Depending on the number of people in the audience, have participants introduce themselves and share one concept they want to take away from the session.

**Slide 4 • 1 Minute**

There are many types of prepaid cards, and the features, benefits, fees, and protections vary with each card. Older adults will have to put their savvy consumer hat on and compare the different cards they are interested in, be aware of common scams, and consider the reasons why they would want to use a prepaid card.

Share the program objectives listed below. Try to connect the topics to the ideas participants shared.

- Discuss relevant concepts relating to government benefits cards.
- Learn tips for managing government benefits cards.
- Discover other types of prepaid cards.
- Hear tips for managing other prepaid cards.
- Learn how to understand and manage fees and costs associated with prepaid cards.
- Find out how to protect yourself from pitfalls and possible prepaid card scams.

## Types of Prepaid Cards on the Market

**Slide 5 • 5 Minutes**

Not all prepaid cards are created equal. They can vary greatly in purpose, use, availability, features, and fees. Below details some of the most common types of prepaid cards used today, particularly among older adults.

### Government Benefits Cards

Some federal and state government agencies use prepaid debit cards to pay a variety of government benefits. Instead of receiving a physical check or a direct deposit into a checking account, you would receive a government benefits card. Each month, your benefits amount would be loaded onto the card.

The Direct Express card is a prime example. If you don't have a bank or credit union account, you can get your federal government benefits through a Direct Express card, which is a prepaid debit card. The Treasury Department recommends this option.

Electronic benefit transfer (EBT) cards are another example of government benefits cards. EBT cards are used by all 50 states and several territories to distribute SNAP (formerly food stamps) benefits.

The amount you can be charged in fees for using government benefits cards depends on the contract between the government agency and the bank or credit union providing the card. You should read the cardholder's agreement carefully before using the card.



## Reloadable Prepaid Cards

Reloadable prepaid cards are a popular choice because they can be used similarly to a bank-issued debit card but without having to maintain a bank or credit union account. Sometimes called a general purpose reloadable card, or GPR card, this type of prepaid card typically features a network logo (e.g., Visa, Mastercard, American Express, or Discover) and can be used anywhere that accepts that card network—both in person and online. And as the name implies, you can add more money to the card as needed. Many of these cards also make it possible to get cash back at stores or withdraw cash at banks and/or ATMs.

## Gift Cards

Gift cards are prepaid cards that work only until you spend the full amount of money on the card. Typically, you cannot load more money to the card. Retail gift cards can only be used at one particular store or group of stores, as indicated on the card.

Nonreloadable prepaid cards that feature a network logo (e.g., Visa, Mastercard, American Express, or Discover), however, provide more flexibility in where you spend the money. They can usually be used anywhere that accepts that card network—in person or online. While they can be used similarly to reloadable prepaid cards, they lack some of the latter's features and can only be used until the initial balance is spent. Rebates are often provided on nonreloadable prepaid cards.

## Payroll Cards

Payroll cards are prepaid cards that some employers use to pay their employees. Each payday, the employee's wages or salary is loaded directly on to the payroll card in lieu of a paper check or direct deposit into a checking account.

This allows employees without bank accounts to receive their pay automatically and without paying check-cashing fees. It also provides them with a prepaid card that they can use similarly to a traditional debit card. As with other prepaid cards, however, you should always learn about the fees involved before agreeing to a payroll card.

# What You Should Know About Government Benefits Cards

## Slides 6–7 • 5 Minutes

### 1. Can I get my Social Security benefits on a prepaid card?

If you don't have a bank or credit union account, you can get your federal benefits through a Direct Express card, which is a type of prepaid card. The U.S. Department of the Treasury recommends this option.

With it, you can make purchases at stores that accept debit Mastercard, pay bills, purchase money orders from U.S. post offices, and get cash from ATMs or financial institutions that display the Mastercard acceptance mark.

No bank or credit union account or credit check is required to enroll.

There are no sign-up fees or monthly account fees.

Many other card services are free. Additional information about the Direct Express card is available at [USDirectExpress.com](https://USDirectExpress.com).

When you sign up to receive your Social Security, SSI, VA, or other federal benefits via the Direct Express card, your money will be automatically deposited to your Direct Express card account on your payment date.

If you don't have a bank or credit union account or simply prefer a prepaid card, the Treasury Department recommends that you sign up for the Direct Express card.

## 2. How do I get a Direct Express card for my federal benefits?

Sign up for the Direct Express card for federal benefits payments by calling 800-333-1795 or visiting [USDirectExpress.com](https://USDirectExpress.com) or [GoDirect.org](https://GoDirect.org).

[GoDirect.org](https://GoDirect.org) includes information about direct deposit as well as educational videos about both options for benefits.

## 3. As prepaid cards have gained popularity, consumers have been warned of hidden fees associated with some prepaid cards. How does the fee structure for the Direct Express card compare to other prepaid cards?

The Direct Express card is different from other prepaid cards because it was developed exclusively for people who receive federal benefits.

The Treasury Department negotiated lower fees for Americans who choose to use the card. On average, Social Security and SSI recipients who pay to cash their checks pay approximately \$6 to cash each check. Some pay \$20 or more. With the Direct Express card, they can avoid those fees.

It is possible to use the Direct Express card for free. While many other prepaid cards have required activation fees, cancellation fees, and monthly fees, there are no monthly fees or hidden fees for the Direct Express card. Most Direct Express card services are free. The services that have required fees, such as paper statements, are completely optional.

In fact, you get one free ATM cash withdrawal for every federal payment you receive. There are approximately 75,000 ATMs where cardholders can withdraw money without paying a fee. There is no ATM owner surcharge fee at these ATMs either. Cardholders can carry over any unused funds into the next month.

In addition, there are no fees for you to make purchases at stores; get cash back at stores and banks; or to check the card's balance at an ATM, by telephone, or online.

There are no overdraft fees, but you can choose to receive free automated text, email, or telephone messages about your deposits and balance.

#### 4. What are the free services?

Free services include:

- Making purchases at stores or online, getting cash back at stores, or withdrawing cash from bank or credit union tellers
- One ATM cash withdrawal for each deposit posted to the account each month (For each deposit, the withdrawal must be made by the last day of the month after the deposit was put in the card account. If the withdrawal is made after that time, it will not be free. Additional withdrawals cost \$0.85 each. If you do not use one of the 75,000 ATMs in the Direct Express card network, the owner of the ATM may charge you a surcharge fee to withdraw your cash.)
- Balance information at ATMs, by phone, or online
- Optional notification of deposits to the debit card by phone, email, or text message
- Optional low-balance alert when the account balance falls below a certain level
- Access to the toll-free customer service number and website 24 hours a day, seven days a week
- One free replacement card per year, with additional replacement cards available for a fee

#### 5. What services are available for a fee?

Optional services available for a fee include:

- More than one ATM withdrawal per deposit at \$0.85 per withdrawal (If you do not use one of the 75,000 ATMs in the Direct Express card network, the owner of the ATM may charge you a surcharge fee to withdraw your cash.)
- Card replacement after your one free replacement card per year at \$4 per card
- Monthly paper statement mailed to cardholder for \$0.75 per month

#### 6. How will I know how much money I have on my Direct Express card?

It is important to keep track of your deposits and how much you spend using your Direct Express card.

You can obtain balance information at no cost by calling the Direct Express customer service department—which is available 24 hours a day, seven days a week—at 888-741-1115.



You can view your account information at [USDirectExpress.com](https://USDirectExpress.com) or obtain balance information at any ATM that displays the Mastercard acceptance mark at no cost.

You can also request free optional deposit notifications and low-balance alerts. For a monthly fee of \$0.75, you may request that a monthly paper statement be mailed to you.

## **7. Can I add my own money to my government benefits card?**

Generally, no.

You cannot add your own money to the federal Direct Express benefits card. The card will only accept monies paid to you by the federal government.

Some state EBT cards will not let you add your own money either.

These rules can vary from program to program and may change. So you should check the rules for your particular government benefits card.

## **8. Can I transfer money from the Direct Express card to a checking or savings account?**

Yes. You may transfer funds from your Direct Express card account to a personal U.S. bank account.

A fee of \$1.50 will be deducted from your Direct Express card account for each transfer you make. To transfer funds, call the Direct Express customer service department toll free at 888-741-1115 or visit [USDirectExpress.com](https://USDirectExpress.com).

## **9. Can I pay my bills or pay for online purchases with my Direct Express card?**

Yes. If a merchant accepts debit Mastercard, you can use your Direct Express card to pay bills and make online purchases.

You can also use your Direct Express card to buy money orders at a U.S. post office or other locations that accept the card.

## **10. Do I have to use a government benefits card to continue receiving benefits?**

It depends on the rules set by the government agency that has arranged for the card. Some state government agencies only offer two ways to disburse benefits: direct deposit to a bank account or direct deposit to a prepaid card.

If you have a bank account, you may choose to have your benefits deposited directly into your bank or credit union account. However, if you do not have a bank or credit union account, a government benefits card may be the only other option. You may need a prepaid card to get some government benefits.

The Treasury Department also has mandated that all federal benefits and nontaxable payments—like VA benefits or Social Security benefits—be made electronically. If you apply for federal benefits, you must choose either direct deposit to a bank or credit union account or direct deposit to a Direct Express card.

Since March 1, 2013, you must receive benefits by one of these options, unless you are age 90 or older, are mentally impaired, or live in a remote location.

## 11. What is EBT?

To deliver SNAP and other state-administered benefits programs, state agencies work with contractors to set up electronic benefit transfer, or EBT, systems.

In EBT systems, SNAP recipients apply for their benefits in the usual way, by filling out a form at their local SNAP office. Once eligibility and level of benefits have been determined, an account is established in the participant's name, and benefits are deposited electronically in the account each month.

A plastic card, similar to a bank card, is issued, and the recipient receives or chooses a personal identification number (PIN) to access the account. Recipients may change the PIN at any time and are offered ongoing training if they have any problems accessing the system.

EBT eliminates the paper food stamp system. By eliminating paper coupons—which could be lost, sold, or stolen—EBT may help cut back on fraud.

All states are using EBT as the method for issuing SNAP funds and, in some cases, for other programs, such as USDA's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the TANF program.

## Tips for Managing Your Government Benefits Cards

### Slide 8 • 3 Minutes

- Look closely at the fee summary, so you can be sure to use your card wisely and avoid fees whenever possible.
- Keep your fees low by using one of the 75,000 ATMs in the Direct Express card network to make your one free withdrawal. For later withdrawals, use an ATM in the Direct Express card network to reduce the amount of fees.
- Avoid fees by using your Direct Express card at stores to pay for purchases instead of getting cash at an ATM.

- When you make a purchase using your PIN at grocery stores and many other places, you also can get cash back for free.
- You can go to any bank or credit union that displays the Mastercard acceptance mark and get cash from a teller free of charge.

Let's look at an example of how you can manage your budget using your government benefits card.

## Case Study: How Mary Manages Her Government Benefits Card

Slide 9 • 4 Minutes

### Case Study:

Mary receives Social Security benefits in the amount of \$1,782 per month. From those funds, she needs to pay the following:

Rent	\$1,200
Food	\$400
Medicine	\$25
Gas	\$30
Utilities	\$82
Cash	\$45
<b>TOTAL</b>	<b>\$1,782</b>



To keep her Direct Express card costs low, Mary could use her Direct Express card as follows:

### Rent and Utilities

- Buy money orders at any U.S. post office. Mary would only pay a fee to the post office for the money orders, but she would not pay any fee to Comerica Bank, the financial agent for Direct Express at least through 2025.

- Use her Direct Express card without paying any fee to Comerica Bank if her landlord and utility companies accept debit Mastercard.

### **Food, Medicine, and Gas**

- Make purchases using the Direct Express card without paying any fee at retail locations that accept debit Mastercard.

### **Cash**

- Get cash back at the grocery store without paying any fee when she uses her Direct Express card with her PIN to pay for her groceries.
- Withdraw money from a Direct Express card network ATM for free. Go to any bank or credit union that displays the Mastercard acceptance mark and get cash from a teller free of charge.

\* Taken from <https://usdirectexpress.com/faq.html>.

## **What About Other Types of Prepaid Cards?**

### **Slide 10 • 5 Minutes**

#### **1. What is a reloadable prepaid card?**

A reloadable prepaid card, sometimes called a general purpose reloadable (GPR) prepaid card, works similarly to a bank-issued debit card without having to maintain a bank or credit union account.

They typically carry a network logo (e.g., Visa, Mastercard, American Express, or Discover) and look like a typical credit or debit card.

#### **2. How do reloadable prepaid cards work?**

You load money on to the card by paying in advance, and then you spend that money by using the card. Generally, you cannot spend more than the amount loaded on the card. However, they are reloadable, meaning you can add more money to a card and continue using it.

#### **3. What are some of the main types of prepaid cards?**

Most reloadable prepaid cards have a network logo on them (e.g., Visa, Mastercard, American Express, or Discover). These cards are called open-loop cards.

If your prepaid card doesn't have a network logo, you can only use it at one store or group of stores, as indicated on the card. These gift cards are called closed-loop cards. (Feel free to share an example, such as a Best Buy card, CVS card, or similar.)

A card that you can only use for a specific purpose, like a transit card, is also a closed-loop card.

#### **4. Where can I use prepaid cards?**

Reloadable prepaid cards can generally be used wherever cards for that network are accepted—both in person and online. Some types of reloadable prepaid cards also allow you to check your balance and withdraw money at an ATM.

If your prepaid card doesn't have a network logo, you can only use it at the store or group of stores indicated on the card.

#### **5. Where can I get a prepaid card?**

The cards are sold online and in stores. Some prepaid cards, such as payroll cards or government benefits cards, are provided to you by your employer or government agencies..

#### **6. Are there any fees to use a payroll card?**

Your employer makes arrangements with the financial institution for the terms of the payroll card, including any fees that may be charged to you. Some employers arrange for payroll cards that do not charge you a monthly fee, but there may be other fees associated with using the card. Be sure to read the terms and conditions before you sign up.

In some states, you can't be charged a fee to get your pay. That means you won't be charged a monthly fee to have a payroll card or for the first withdrawal per pay period, which can include all of your pay.

#### **7. What happens if my payroll card is lost or stolen?**

You have similar protections against loss and theft of your payroll card as well as theft of your funds using your payroll card information as you would if your money were in a bank or credit union account.

#### **8. What about gift cards?**

The difference between most gift cards and other prepaid cards is that gift cards are not reloadable. After you use the amount that was originally loaded on the gift card, you cannot load more money on it. You will also use most gift cards at the specific store or group of stores indicated on the card, not your store of



choice. However, nonreloadable prepaid cards with network logos are gift cards that can be used anywhere that accepts that card network. Either way, you typically cannot use gift cards to get cash back. If your gift card is lost or stolen, your ability to recover any money will depend on the retailer's policies and on whether you registered the card.

## Tips for Managing Other Prepaid Cards

### Slide 11 • 3 Minutes

- Prepaid cards are popular with lower-income households, older adults, and young people learning to manage money. These cards can sometimes cost less and be easier to manage than traditional bank or credit union accounts. You can use prepaid cards as an alternative to a checking account.
- Make sure you know the fees and costs of each prepaid card, and comparison shop cards as you would any purchase.
- Prepaid card providers generally do not check your credit.
- When you pay with a prepaid debit card at a store with a PIN pad, you may have the option to choose whether to process the payment as credit or debit.

Some prepaid cards charge you a higher fee if you choose debit, so check your card agreement to find out your card's fee rules.

The money will come out of your prepaid card account either way. In this case, the option of credit or debit just has to do with how the payment is processed.

If you choose debit, you enter the PIN you created when you registered your card. If you choose credit, you sign your name instead.

- Contact the card provider right away if your card or your card's PIN is lost or stolen.

Your rights to recover money taken from your prepaid card account depend on what type of card it is, what your contract promises, and how quickly you report the loss after you discover it.

Generally, payroll cards and government benefits cards are protected under the same rules that protect a bank debit card. The federal Direct Express card provides similar protections by contract.

The Consumer Financial Protection Bureau's (CFPB's) prepaid rule went into effect in 2019, giving prepaid card users many protections that are common on credit cards and bank debit cards. So network-branded (e.g., Mastercard or

Visa) prepaid debit cards usually provide some protection, but you should still check your card provider's website to learn its specific policies.

If the card that was lost or stolen was a gift card for just one store or retail group, your ability to recover any money will depend on the retailer's policies and whether you registered the card.

- Consider this scenario: "I spent \$30 on gas using my prepaid debit card, but my account shows a charge of \$75. Why?" This may happen because transactions at the pump can take a few days to process. In the meantime, the gas station may put a temporary hold for a larger amount on your card to ensure the purchase gets paid. Once the real transaction is processed, it will remove the temporary hold, releasing those additional funds back to your card.

*The lesson:* Think twice before using a prepaid card to purchase gas at the pump or for hotels or rental cars. If you do, you may not be able to access all of your money until the transaction clears.

## What Are Chip and PIN Cards?

### Slide 12 • 3 Minutes

#### 1. What is a chip and PIN card?

A chip and PIN card adds an extra layer of security and antifraud technology for debit, credit, and prepaid cards. You might also hear this called a chip, EMV, or smart card.

The card has a small microchip embedded in it, and that is what the card reader terminal uses to access your data. The chip generates a unique code every time you use the card. No technology can prevent all fraud, but chip cards are more secure than traditional magnetic-strip cards. First, it is more difficult to counterfeit a physical card. Second, even if a thief gets the transactional code, it's worthless because it works only one time.

All merchants are required to switch to the new chip and PIN terminals, so you will be seeing more of them as merchants comply with this new requirement. Most major retailers already have them.

#### 2. How do chip and PIN cards work?

When you come across a chip-enabled terminal, follow three simple steps:

1. Insert your card into the slot in the terminal. Do not remove your card from the terminal until the end of the transaction.

2. If prompted, provide your signature or PIN to authorize the transaction. Some transactions may not require either.
3. Remove your card from the terminal when prompted.

The biggest difference between the old swipe method and the new chip method is that you insert the card and leave it in the chip reader during the entire transaction. That might take getting used to.

### **3. What if the store doesn't have a chip reader? How will I know whether to swipe or insert my card?**

If the merchant does not accept chip cards yet, you can still swipe your card just like a nonchip card. Be sure to follow the prompts on the merchant terminal if you aren't sure whether you should swipe or insert your card.

If the terminal is chip enabled, it will prompt you to insert the card instead of swiping.

### **4. Will prepaid cards switch to chip technology?**




Yes. Prepaid cards are now using chip technology just like debit cards and credit cards issued by banks, credit unions, and other credit grantors.



## Case Scenario: A Tale of Three Cards

### Slide 13 • 10 Minutes

Dorothy, Robert, and Martha have three different cards. Let's compare their fees and see how they vary based on card, use, and purpose.

Dorothy	Robert	Martha
<p>A Direct Express card for Social Security benefits</p>  <p>Dorothy had a Social Security deposit on her card this month for \$1,782. She made 12 transactions this month. Dorothy made one free withdrawal and also accessed an in-network ATM twice this month. She accessed her balance once over the phone and once at an out-of-network ATM that charged a \$2.50 fee. Dorothy made a foreign transaction of \$100 this month.</p>	<p>A popular reloadable prepaid card for general purchases</p>  <p>Robert loaded \$500 on his reloadable prepaid card. He did not load via direct deposit. He posted 12 purchase transactions. Robert accessed an out-of-network ATM twice this month. He also accessed his balance once over the phone and once at an out-of-network ATM that charged a \$2.50 fee. Robert made a foreign transaction of \$100 this month.</p>	<p>A nonreloadable gift card</p>  <p>Martha purchased her own gift card more than a year ago. She accessed her balance once over the phone this month and has not made a purchase on the card yet.</p>

## Fees to Consider and Compare

Possible Fee Types	Fees for Dorothy's Direct Express Card	Fees for Robert's Reloadable Prepaid Card	Fees for Martha's Nonreloadable Gift Card
Activation fee	\$0.00	\$4.95 or less if purchased at a retailer. This fee is for both the purchase of the card and the initial cash load.	\$0.00
Transaction fee	\$0.00	\$0.00	\$0.00
Monthly fee	\$0.00	<p>\$5.95, though this is waived in any monthly billing cycle when you do one or more of the following:</p> <ul style="list-style-type: none"> <li>• Load at least \$1,000 on to your card;</li> <li>• Have 30 posted purchase transactions (excludes all ATM declined withdrawals, ATM balance inquiries, teller cash advances, and online bill payments); or</li> <li>• Load at least \$250 on to your card using direct deposit.</li> </ul>	\$0.00



Possible Fee Types	Fees for Dorothy's Direct Express Card	Fees for Robert's Reloadable Prepaid Card	Fees for Martha's Nonreloadable Gift Card
ATM withdrawal fee	One free withdrawal with each deposit to your Direct Express card account.  Surcharge by ATM owner may apply.  A fee of \$0.85 for each withdrawal after the initial free one is used.	Withdrawals are free at in-network ATMs.  All other ATM withdrawals are \$2.50.  Teller cash advance is \$2.50.	N/A
N/A	\$0.00	\$0.50	\$0.00
Paper statement fee	\$0.75 each month	\$0.00	N/A
Card replacement fee	One free each year and then \$4 each	\$4.95	\$4.95
Additional card fee	N/A	N/A	N/A
Inactivity fee	\$0.00	\$0.00	\$4.95 after no activity for one year
Cash reload fee	N/A	\$4.95, varies by retailer	N/A
Foreign transaction fee	3% of purchase amount	3% of total transaction amount	N/A
Bill payment fee	\$0.00	\$0.00	N/A
Account-to-account transfer fee	\$1.50 per transfer of funds to a personal U.S. bank account	\$0.00 for standard transfer	N/A
Decline fee	\$0.00	\$0.00	N/A
Card cancellation fee	\$0.00	\$0.00	N/A
<b>Total Fees</b>	<b>Dorothy paid \$7.20 in fees for her monthly activity</b>	<b>Robert paid \$21.90 in fees for his monthly activity</b>	<b>Martha paid \$4.95 in fees for her monthly activity</b>

## Tips from You

### Slide 14 • 2 Minutes

Share your tips for choosing a prepaid card that best meets your needs and managing your finances with it.

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

## Cautions and Common Scams

### Slide 15 • 4 Minutes

The only thing worse than falling victim to any form of theft is finding out you don't have recourse to recoup your money. The financial protections offered against loss, theft, scams, and fraud vary greatly by type of prepaid card. So before you purchase or sign up for a prepaid card is a fine time to read the fine print. But prevention is the best protection, so here are some key cautions, warnings, and common scams to keep in mind.

### Spot Gift Card Scams

Getting their hands on gift cards is one of the most common goals of scammers. But you can learn to easily spot, successfully avoid, and report these scams. The Federal Trade Commission (FTC) offers consumers this simple, succinct guidance to avoid many gift card scams: Gift cards are for gifts, not for payments.

Gift cards appeal to scammers because most people can easily attain them, but they come with fewer protections for the purchaser. They can typically spend the money on the gift card anonymously with minimal risk of getting caught, leaving the purchaser with little or no recourse. So what are their tactics? First, they will claim to be someone they are not. Here are some of their favorite facades:

- They say they work for a government agency, such as the IRS or Social Security Administration.
- They claim to be tech support from a company such as Apple or Microsoft.
- They tell you they are a bill collector for one of your utility companies.
- They pretend to be a potential or new romantic partner, often building a relationship with you online or over the phone.
- They allege to represent a sweepstakes you have won or a charity looking for donations.
- They may even impersonate a friend or family member in trouble or need.

What follows is typically three-fold, according to the FTC. They will present you with either a problem or a solution that requires payment via a gift card, and they will often express urgency or threat to ensure your compliance. They will then often tell you which gift card(s) to buy and for how much. And finally, they will ask for the gift card number and PIN. Regardless of the story presented, if the person contacting you via phone, text, or email requests or demands payment via gift

card, you can be sure it is indeed a scam. You can hang up, ignore, or delete their communication—just do not comply! It is also a good idea to report these scams at [ReportFraud.ftc.gov](https://www.ftc.gov/identity-theft/identity-theft-scams-how-to-prevent).

## Protect Your PIN

Most government benefits cards and reloadable prepaid cards require you to set up a PIN to serve as a password of sorts for an extra layer of protection when you use your card. Choose a PIN that you can easily memorize but would be difficult for someone to guess (i.e., avoid using your birth date or other easily discoverable digits associated with you).

Likewise, never tell anyone your PIN. Do not write it down in your wallet or on the back of your card. When you enter the PIN during a transaction, position yourself so others can't see or photograph it. When using an ATM, make sure you end your transaction before you step away, so no one else can access your account. You will know it has ended when you see a "thank you" screen or a "welcome" screen asking the next customer to swipe their card.

If you feel your PIN has been compromised, err on the safe side and contact your card provider to reset your PIN with newly chosen numbers.

## Keep Up with Your Card

A large part of loss prevention is simply not losing the actual prepaid card. Try to always store your card in the same place, such as your wallet or purse, and it is helpful if you always stow those items in a set spot at home. Yet, accidents happen, so you'll want to know your specific prepaid card's policies in the event of a lost card.

While the CFPB's prepaid rule that went into effect in 2019 gave reloadable prepaid card users many protections that are common on credit cards and bank debit cards, specific policies can still vary.

It should be noted: That rule does not apply to gift cards. If you lose a retailer gift card or nonreloadable prepaid card, you may be out of luck. Your ability to replace a gift card and recoup the funds on it will depend on that specific retailer's policies and whether you registered the card or not.

## Monitor for Fraud

It's important to monitor your prepaid card account activity and balance not only for budgeting but also for quick detection of fraudulent charges. While reloadable

prepaid cards require some personal information, the anonymity afforded by most prepaid cards appeals to fraudsters, allowing them to make untraceable purchases with stolen card numbers.

As with losing your card, the CFPB rule offers reloadable prepaid cards many similar protections from fraudulent transactions that come with traditional debit and credit cards, but particulars can still vary by card. Gift cards, however, are not included in the CFPB rule and are subject only to the retailer's policies and often whether you registered the card or not.

## Retain Your Card for Refunds

Prepaid cards make shopping in person and online simple, but sometimes, the purchase doesn't work out. If you need to return an item, it's important that you retained the prepaid card used for the transaction. Some stores require returns be refunded to the original payment method. So even if the prepaid card's balance is depleted, it's a good idea to hang on to the card until you are certain you will not need to return anything you bought with it.

## Read the Fine Print on Fees

A little due diligence can save you dollars in the long run. Before purchasing any prepaid card, find and read the full fee schedule. Many prepaid cards have a whole host of potential fees depending on use and services.

The good news is accessing and comparing fee schedules is now easier thanks to the CFPB's prepaid rule, which requires prepaid cards to provide clear, upfront fee information. The disclosures provide consistent information, making it easier to compare cards and find the one that works best for your needs. But as noted previously, the rule does not apply to gift cards.

## Never Pay Advanced Fees

It can be easy to be persuaded to give something in order to get something, especially when you're in a pinch. Unfortunately, scammers are tricking people into paying advanced fees upfront, often in the form of prepaid cards, in order to secure a loan—a loan that never comes.

Remember that no legitimate bank or loan company will request upfront money for a loan, and they would never request payment in the form of prepaid cards.



## Be Wary of Threats and Promises

Scammers are notorious for using two tactics to great effect: exploiting your fears and appealing to your hopes. They may contact you via phone, text, or email, but the script is often the same. They will misrepresent themselves, claiming to be with a government agency or perhaps a utility company. They will often demand payment for overdue taxes or a bill, using urgency and threats to ensure your compliance. Any threat is a red flag that it is a scam, and any requests for payment in the form of prepaid cards is definitely a scam. Never give personal or prepaid card information to someone who contacts you unsolicited.

The flipside, of course, is the offer that seems too good to be true—and it undoubtedly is. If you receive a call, a text, or an email from someone with extravagant promises that you'll reap a great reward or payment if you give them your prepaid card number first to cover the expenses, you can count on it being a scam. Never give out your prepaid card number to any unknown person or company.

## Questions?

Slide 16 • 2 Minutes



## Appendix A: Prepaid Cards at a Glance

### Funding Prepaid Cards



Government benefits cards can only receive benefits deposits from federal and state agencies.



Reloadable prepaid cards can be reloaded with cash or funds transfers by the consumer for ongoing use.



Gift cards are purchased for a set amount and for a specific store or store group and cannot be reloaded once spent.



Payroll cards are funded by an employer depositing an employee's wages or salary onto the card.



21.7% Can't meet minimum balance requirements



13.2% Don't trust banks



8.4% Avoid banks to have more privacy



56.7% Various other reasons cited

### Unbanked by the Numbers

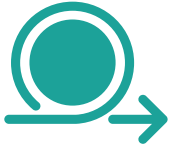
Approximately 5.9 million households were unbanked in 2021. Here are the top cited reasons for not having a bank or credit union account.

*Source: The FDIC's 2021 National Survey of Unbanked and Underbanked Households*



### **Bona Fide Benefits**

The Treasury Dept. recommends receiving federal benefits on the Direct Express card.



### **Stay in the Loop**

Open-loop cards can be used anywhere that accepts the card network. Closed-loop cards can only be used for a specific store or purpose.



### **Prepaid Protection**

A CFPB rule gives prepaid card users many of the protections common on credit and debit cards. (The rule does not apply to gift cards.)



### **No Check Needed**

Because you can only spend the amount of money loaded on the card, no credit check is needed to obtain a prepaid card.



### **Safety in Numbers**

Most prepaid cards have you set up a personalized identification number, or PIN, to use during transactions as an extra layer of protection.



### **75,000 Locations**

There are approximately 75,000 ATMs in the Direct Express card network, and you get one fee-free cash withdrawal each month.



### **Top Budgeting Tool**

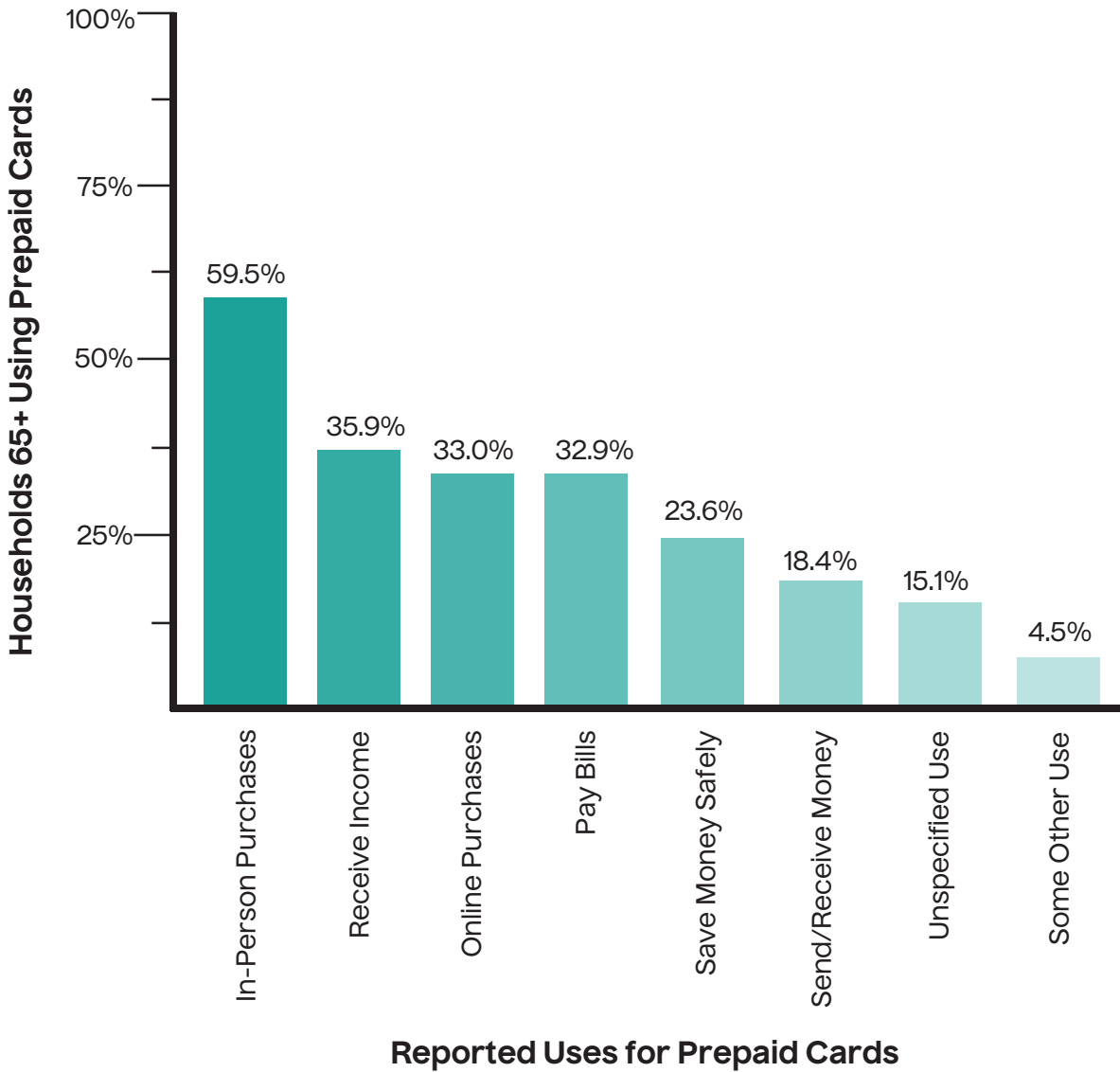
Prepaid cards are highly effective money and debt management tools because they prevent users from spending above their means.



### **Avoid Gift Card Scams**

Avoid many gift card scams by remembering this advice from the FTC: Gift cards are for gifts, not for payments.

## TRANSACTION TRENDS



Source: The FDIC's 2021 National Survey of Unbanked and Underbanked Households

# Glossary

## Bank or Credit Union Accounts

Bank or credit union accounts, like prepaid debit cards, offer direct deposit of paychecks and online bill paying.

Money in a bank or credit union account is insured by the FDIC. This insurance will protect your money during a financial downturn. Bank or credit union accounts can be linked to debit cards.

## Chip and PIN Cards

A chip and PIN card adds an extra layer of security and antifraud technology for debit, credit, and prepaid cards. You might also hear this called a chip, EMV, or smart card.

The card has a small microchip embedded in it, and that is what the card reader terminal uses to access your data. The chip generates a unique code every time you use the card. No technology can prevent all fraud, but chip cards are more secure than traditional magnetic-strip cards. First, it is more difficult to counterfeit a physical card. Second, even if a thief gets the transactional code, it's worthless because it works only one time.

All merchants are required to switch to the new chip and PIN terminals, so you will be seeing more of them as merchants comply with this new requirement. Most major retailers already have them.

## Closed-Loop Cards/Open-Loop Cards

A closed-loop prepaid card can only be used at a certain store or group of stores, as indicated on the card. Transit cards for public transportation is another type of closed-loop card.

Cards that feature a network logo (e.g., Visa, Mastercard, American Express, or Discover) are called open-loop cards. These prepaid cards can be used anywhere that accepts the card's indicated network.



## Credit Card

Like a prepaid debit card, credit cards feature a network logo like Visa, Mastercard, American Express, or Discover.

When you use a credit card, you are borrowing money that you will have to pay back later, often with interest.

Also, some prepaid debit cards may not protect you as well as credit cards if your card is lost or if you dispute a charge on your card.

## Debit Card

A bank or credit union account debit card is linked to your checking account; a prepaid debit card is not.

With bank or credit union account debit cards, you may be protected if you overdraw your account. If you opt into the overdraft service at your bank or credit union, it may cover the cost of a purchase that exceeds what you have in your account. Your bank or credit union then would charge you a fee and would require you to repay the overdraft amount.

In addition, prepaid debit cards may not protect you as well as bank debit cards do if your card is lost or if you dispute a charge on your card. Read each card's policies to determine the protection offered.

## Direct Express Card

If you don't have a bank or credit union account, you can get your federal benefits through a Direct Express card, which is a prepaid debit card. The Treasury Department recommends this option.

With it, you can make purchases at stores that accept debit Mastercard, pay bills, purchase money orders from U.S. post offices, and get cash from ATMs or financial institutions that display the Mastercard acceptance mark.

No bank account or credit check is required to enroll.

There are no sign-up fees or monthly account fees. Many other card services are free.

Additional information about the Direct Express card is available at [USDirectExpress.com](https://usdirectexpress.com).

When you sign up to receive your Social Security, SSI, VA, or other federal benefits via the Direct Express card, your money will be automatically deposited to your Direct Express card account on your payment date.

## Fees

Generally, you pay fees for using a prepaid debit card, payroll card, or government benefits card. Store gift cards normally do not charge you a fee. Usually, you have to pay a fee when you buy open-loop gift cards, but no fees to use them. Some transit cards charge you a purchase fee, but no fee to reload money or use the card.

There may be many types of fees for having and using a prepaid debit card. Some examples of fees are monthly fee, reload fee, transaction fee, bill payment fee, stop payment fee, ATM cash withdrawal fee, balance inquiry fee, additional card fee, inactivity fee, lost or stolen card replacement fee, and card cancellation fee.

Not every card has each type of fee. Think about how you plan to use the card, and then look at the fees for your expected uses. You may be able to check on the card's website to find out about the fees.

Fees can add up, so pay close attention and keep track.

## Gift Cards

Gift cards are prepaid cards that typically work only until you spend the full amount of money on the card. A gift card is a prepaid card. A gift card might have a network logo on it (e.g., Visa, Mastercard, American Express, or Discover), which usually means it can be used anywhere that accepts that brand.

A gift card that doesn't have a network logo can only be used at one store or group of stores, as indicated on the card.

## Government Benefits Card

Some states use prepaid cards to pay unemployment benefits, child support, and various government benefits. Instead of getting checks, recipients receive a government benefits card, and each month the benefits amount is deposited onto the card. The federal government also uses prepaid cards to pay certain federal benefits, such as VA benefits or Social Security benefits. Some government benefits, such as SNAP, are administered by states on electronic benefit transfer (EBT) cards.

The amount you can be charged in fees for using the card depends on the contract between the government agency and the bank or credit union providing the card. You should read the cardholder's agreement carefully before using the card.

## Nonreloadable Cards

If your card is not reloadable, you cannot deposit or transfer additional funds onto it after you receive it.

## Payroll Cards

Your employer may be able to arrange with a bank, credit union, or other financial institution to pay you via a payroll card. Your pay is loaded directly on to your payroll card rather than given to you in the form of a paper check.

Some employers will let you choose between direct deposit to a bank account, direct deposit to a payroll card, or a paper paycheck.

## Prepaid Debit Cards

A prepaid debit card usually refers to a general purpose reloadable prepaid card. However, a prepaid card can refer to a number of different types of cards.

They typically carry a network logo (e.g., Visa, Mastercard, American Express, or Discover).

## Rebate Cards

These cards might have a network logo (e.g., Visa, Mastercard, American Express, or Discover) on them, which usually means you can use them anywhere that brand is accepted. Some might be good only at a particular store or group of stores. Generally, you cannot add more money to rebate cards.

## Reloadable Cards

Prepaid cards are reloadable, meaning you can deposit or transfer more money onto the card.

## Additional Resources

In collaboration with several nonprofits, Bank of America has produced Better Money Habits® to help people who are living paycheck to paycheck stabilize and improve their financial situations. Visit [BetterMoneyHabits.com](https://www.bettermoneyhabits.com) to find videos, infographics, and articles about building an emergency fund, managing bills, handling overdue debts, and more.

National Council on Aging's (NCOA's) mission is to improve the lives of millions of older adults, especially those who are struggling. And helping older adults find financial security is an important part of that mission. You can visit [ncoa.org](https://www.ncoa.org) to access a plethora of educational content, resources, and other information relevant to the aging population.



## Contributing Partners and Reviewers

**Maureen O’Leary**, National Council on Aging; **Jean Van Ryzin**, National Council on Aging;  
**Brandy Bauer**, National Council on Aging

### NCOA’s National Institute of Senior Centers Delegate Council Reviewers

**Laura Cisneros**, TX; **Susan Getman**, Delaware; **Ed Gootzait**, Delaware; **Kathleen Andersen**, Delaware; **Kris Orluck**, Minnesota; **Rebecca Kropelnicki**, Minnesota

## Authors

**Ramsey Alwin**, National Council on Aging

**Christine Harding**, National Council on Aging

**Maggie Flowers**, National Council on Aging

**Amy Lins**, Money Management International

**Iris Nunn**, Money Management International