

FACILITATOR'S GUIDE

# Savvy Saving Seniors®

## It's in the Cards



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

**M**ost consumers, especially seniors, 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 be aware of the fees and downsides associated with using these cards. There are many types of prepaid debit cards, such as these:

- Federal government issued cards such as GoDirect® (Social Security, SSI, Veterans Benefits)
- Electronic benefit transfer (EBT) cards issued by states (SNAP/Food Stamps, TANF)
- Commercial prepaid debit cards
- Gift cards (retail stores)

For a more detailed list and description of various prepaid cards on the market, see Appendix A.

Their features, benefits, fees, and protections all vary.

This 60-minute program is designed to provide seniors with the basic information they need to know to manage their government issued cards, commercial prepaid debit cards, and gift cards, in a safe and advantageous way.





## Facilitator's Preparation

**B**efore you present, it is important to understand the population you will address and the real challenges they are facing every day.

### Target Audience:

Low- to moderate-income older adults aged 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 are above the poverty level, one major adverse life event can change today's realities into tomorrow's troubles.



### Living on a Fixed Income

- Over 25 million Americans aged 60+—or roughly 1 in 3 older adults—are economically insecure, living on incomes at or below 250% of the federal poverty level.
- 22% of married Social Security recipients and 47% of single recipients aged 65+ depend on Social Security for 90% or more of their income. (Social Security Administration)
- Older women typically receive about \$4,000 less annually in Social Security than older men due to lower lifetime earnings, time taken off for caregiving, occupational segregation into lower wage work, and other issues. Older women of color fare even worse. (Wider Opportunities for Women)
- In 2015, the average older adult receiving Supplemental Security Income received just \$433 each month. (Social Security Administration)

### Debt & Lack of Savings

- In 2013, 61.3% of households headed by an adult aged 60+ had some form of debt. Among senior households with debt, the median total debt was \$40,900. (Federal Reserve Board)
- One-third of senior households has no money left over each month or is in debt after meeting essential expenses. (Institute on Assets and Social Policy)
- One in four senior households with any credit card debt had a balance of at least \$7,200 in 2013.

## Housing

- In 2013, 33.8% of senior households owed money on a mortgage, home equity line of credit, or both. (Survey of Consumer Finances)
- Approximately 3.5 million older homeowners are underwater on their loans and have no home equity. (Trawinski & AARP, 2012)
- From 2000 to 2010, the share of overall wealth in home equity among homeowners aged 65+ decreased from 33% to 23%. (Census Bureau, 2011)
- From 2007 to 2011, more than 1.5 million older Americans lost their homes as a result of the mortgage crisis. (Trawinski & AARP, 2012)

## Health Security

- On average, people with Medicare spend over \$5,000 each year on out-of-pocket costs. (Kaiser Family Foundation)
- More than 84% of people aged 65+ are coping with at least one chronic condition, and often more as they age.
- 95% of health care costs for older Americans can be attributed to chronic diseases.

## Hunger

- In 2014, 3 million households with a senior aged 65+ experienced food insecurity. (USDA Economic Research Service)
- Only 41% of older adults (age 60+) eligible for the Supplemental Nutrition Assistance Program (formerly Food Stamps) are enrolled. (USDA Food and Nutrition Service)

## Employment

- In 2015, 33 million Americans aged 55+ were employed, and 1.3 million were actively seeking work. (Bureau of Labor Statistics [BLS])
- Mature workers made up 8.9% of the unemployed population in the U.S. in 2014. (BLS)
- Although the rate of unemployment among mature workers is lower than younger populations (3.7% in Nov. 2015), older workers who do become unemployed spend more time searching for work. In 2014, 44.6% of those unemployed workers aged 55+ had been unemployed for 27 weeks or longer, compared to 36.4% of workers aged 25-54. (BLS)
- In June 2014, 4.7% of workers aged 55+ held more than one job. Doing so may indicate an inability to find a job that pays enough hours. (AARP Public Policy Institute)

## 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 60 minutes from Welcome to Wrap.
- As you prepare and present, we encourage you to consider the following:
  - ✓ Remember that the individuals 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 individuals are no longer working and are no longer “saving” for retirement. However, the ideal “retirement” is not their reality.
  - ✓ Many are seeking to work or 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 seniors and older relatives: Do you have elderly 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’ve 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 appearing to be lecturing.



## Materials Needed

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



## Script: How to Facilitate this Session

**T**he following information will help guide you in presenting to the audience. 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 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-issued cards, including Go Direct® and electronic benefit transfers (EBT), prepaid cards, and store gift cards in a safe and advantageous way.



# Icebreaker

(SLIDE 2) (6 MIN)

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.

Purpose: 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 debit card payment option for federal benefit recipients who don't have a bank or credit union account.**

**a. True**

b. False

**2. To deliver food stamp or SNAP and other state-administered benefit programs, state food agencies set up electronic benefits transfer, or EBT, systems.**

**a. True**

b. False

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

a. True

**b. False**

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

a. True

**b. False**

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

a. True

**b. False**

**6. A prepaid debit card can be bought and reloaded so that family members can use it for me.**

**a. True**

b. False

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

**a. True**

b. False

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

**a. True**

b. False

**9. A prepaid debit 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 MIN)

**D**epending on the number in the audience, have participants introduce themselves and share one concept/idea that they want to take away from the session. List the ideas on the flip chart or marker board.

(SLIDE 4) (1 MIN)

**M**ost consumers, especially seniors, are looking for ways to better manage and protect their money. Prepaid cards are becoming a popular alternative to traditional checking accounts and credit and debit cards. However, consumers should be aware of the fees and downsides associated with using these cards.

There are many types of prepaid debit cards, and the features, benefits, fees, and protections vary with each card. Seniors will have to put their consumer hat on and compare the different cards they are interested in, be aware of scams, and consider the reasons 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 issued cards
- Find out about other types of prepaid debit cards
- Hear tips for managing other prepaid debit cards
- Identify and manage fees and costs associated with prepaid debit cards
- Identify possible prepaid debit card scams

# What You Should Know About Government Benefits Cards

(SLIDES 5 & 6) (10 MIN)

Question	Answer
<b>1. Can I get my Social Security benefits on a prepaid card?</b>	<p>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 U.S. Treasury Department recommends this option.</p> <p>With it, you can make purchases at stores that accept Debit MasterCard, pay bills, purchase money orders from the U.S. Post Office, and get cash from an ATM or financial institution that displays the MasterCard acceptance mark.</p> <p>No bank/credit union account or credit check is required to enroll.</p> <p>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 <a href="http://www.USDirectExpress.com">www.USDirectExpress.com</a>.</p> <p>When you sign up to receive your Social Security, Supplemental Security Income, 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.</p> <p>If you don't have a bank or credit union account or simply prefer a prepaid debit card, the Treasury Department recommends that you sign up for the Direct Express® card.</p>



Question	Answer
<p><b>2. How do I get a Direct Express® card for my federal benefits?</b></p>	<p>Sign up for the Direct Express® card for federal benefit payments by calling: (800) 333-1795 or go to <a href="http://www.USDirectExpress.com">www.USDirectExpress.com</a> or <a href="http://godirect.org">http://godirect.org</a>.</p> <p><a href="http://godirect.org">http://godirect.org</a> includes information about direct deposit as well as educational videos about both options for benefits.</p>
<p><b>3. As prepaid debit cards have gained in popularity, consumers have been warned of hidden fees associated with some debit card products.</b></p> <p><b>How does the fee structure for the Direct Express® card compare to other debit cards?</b></p>	<p>The Direct Express® card is different from other debit cards because it was developed exclusively for people who receive federal benefits.</p> <p>The U.S. Department of Treasury 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.</p> <p>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.</p> <p>In fact, you get one free ATM cash withdrawal for every federal payment you receive. There are almost 50,000 ATMs where cardholders can take out money without paying a fee. There is no ATM owner “surcharge fee” at these ATMs, either. Cardholders can carry over any unused withdrawals into the next month.</p> <p>In addition, there are no fees for you to make purchases at stores, get cash at stores and banks, and check the card’s balance at an ATM, by telephone, or online.</p> <p>There no overdraft fees, but you can choose to receive free automated text, email, or telephone messages about your deposits and balance.</p>

Question	Answer
<p><b>4. What are the free services?</b></p>	<p>Free services include the following:</p> <ul style="list-style-type: none"> <li>• Buying something at a store or online, getting cash back at a store, or withdrawing cash from a bank or credit union teller.</li> <li>• 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 50,000 ATMs in the Direct Express® card network, the owner of the ATM may charge you a “surcharge fee” to withdraw your cash.</li> <li>• Balance information at ATMs, by phone, or online.</li> <li>• Optional notification of deposits to debit card by phone, email, or text message.</li> <li>• Optional low balance alert when account balances fall below a certain level.</li> <li>• Access to the toll-free customer service number and website 24 hours a day, 7 days a week.</li> <li>• One free replacement card per year (additional replacement cards are available for a fee).</li> </ul>
<p><b>5. What services are available for a fee?</b></p>	<p>Optional services available for a fee include:</p> <ul style="list-style-type: none"> <li>• More than one ATM withdrawal per deposit (\$0.85 per withdrawal). If you do not use one of the 50,000 ATMs in the Direct Express® card network, the owner of the ATM may charge you a “surcharge fee” to withdraw your cash.</li> <li>• Card replacement after one free replacement card per year (\$4.00 per card).</li> <li>• Monthly paper statement mailed to cardholder (\$0.75 per month).</li> </ul>

Question	Answer
<p><b>6. How will I know how much money I have on my Direct Express® card?</b></p>	<p>It is important that you keep track of your deposits and how much you spend using your Direct Express® card.</p> <p>You can obtain balance information at no cost by calling the Direct Express® Customer Service Department, 24 hours a day, 7 days a week, at 1-888-741-1115 (toll-free).</p> <p>You can view your account information at <a href="http://www.USDirectExpress.com">www.USDirectExpress.com</a> or obtain balance information at any ATM that displays the MasterCard acceptance mark, at no cost.</p> <p>You can also request free optional deposit notification and low balance alerts. For a monthly fee of \$0.75, you may request that a monthly paper statement be mailed to you.</p>
<p><b>7. Can I add my own money to my government benefit card?</b></p>	<p>Generally, no.</p> <p>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.</p> <p>Some state EBT cards will not let you add your own money, either.</p> <p>But these rules can vary from program to program and may change. So you should check the rules for your particular government card.</p>
<p><b>8. Can I transfer money from the Direct Express® card to a checking or savings account?</b></p>	<p>Yes. You may transfer funds from your Direct Express® card account to a personal U.S. bank account.</p> <p>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 1-888-741-1115 or visit <a href="http://www.USDirectExpress.com">www.USDirectExpress.com</a>.</p>

Question	Answer
<p><b>9. Can I pay my bills or pay for internet purchases with my Direct Express® card?</b></p>	<p>Yes, if a merchant accepts Debit MasterCard, you can use your Direct Express® card to pay bills and make internet purchases.</p> <p>You can also use your Direct Express® card to buy money orders at the U.S. Post Office or other locations that accept the card.</p>
<p><b>10. Do I have to use a government benefit card to continue receiving a benefit?</b></p>	<p>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.</p> <p>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 benefit card may be the only other option. You may need a prepaid card to get some government benefits.</p> <p>The U.S. Department of Treasury also has mandated that all federal benefits and nontaxable payments—like Veterans’ benefits or Social Security benefits—be made electronically. If you apply for federal benefits you must choose either: 1) direct deposit to a bank or credit union account or 2) Direct Express®.</p> <p>As of March 1, 2013, you must receive benefits by one of these options, unless you are over 90, are mentally impaired, or live in a remote location.</p>

Question	Answer
<p><b>11. What is Electronic Benefits Transfer (EBT)?</b></p>	<p>To deliver SNAP/Food Stamps and other state-administered benefit programs, state agencies work with contractors to set up Electronic Benefits Transfer, or EBT, systems.</p> <p>In EBT systems, SNAP/Food Stamp recipients apply for their benefits in the usual way, by filling out a form at their local food stamp 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.</p> <p>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 number at any time and are offered ongoing training if they have any problems accessing the system.</p> <p>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.</p> <p>All states are using EBT as an alternative for issuing SNAP/Food Stamp funds and, in some cases, for other programs such as USDA's Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and the Temporary Assistance to Needy Families (TANF) program.</p>



## Tips and Tricks for Managing Your Government Benefits Cards

(SLIDE 7) (3 MIN)

- ✓ 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 an ATM 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 that you pay.
- ✓ 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 number 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 8) (4 MIN)

## Case Study:

Mary receives Social Security benefits in the amount of \$845 per month. From those funds, she needs to pay the following:

<b>Rent</b>	<b>\$500</b>
<b>Food</b>	<b>\$200</b>
<b>Medicine</b>	<b>\$25</b>
<b>Gas</b>	<b>\$30</b>
<b>Utilities</b>	<b>\$45</b>
<b>Cash</b>	<b>\$45</b>
<b>TOTAL</b>	<b>\$845</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.
- Use her Direct Express® card without paying any fee to Comerica Bank, if her landlord and utility company accepts 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 number 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: <http://www.usdirectexpress.com/edcfdtclient/docs/faq.html#12>



# What About Other Types of Prepaid Debit Cards?

(SLIDE 9) (7 MIN)

Question	Answer
<b>1. What is a prepaid debit card?</b>	<p>A prepaid debit card usually refers to a “general purpose reloadable” (GPR) prepaid card. However, a prepaid card can refer to a number of different types of cards.</p> <p>They typically carry a network logo (Visa, MasterCard, American Express, or Discover) and look like a typical credit or debit card.</p>
<b>2. How do they work?</b>	<p>You “load” money on to the card by paying in advance, and then you spend that money by using the card.</p> <p>Generally, you cannot spend more than the amount loaded on to the card.</p> <p>However, they are reloadable, meaning you can add more money to them and continue using them over and over.</p>
<b>3. What are some of the main types of prepaid cards?</b>	<p>Most prepaid cards have a network logo on them (Visa, MasterCard, American Express, or Discover). These cards are called “open-loop” cards.</p> <p>If your prepaid card doesn’t have a network logo, you can only use it at one store or group of stores, like a retailer gift card. These are called “closed-loop” cards. (Feel free to share an example, such as a Best Buy card, CVS card, or similar.)</p> <p>A card that you can only use for a specific purpose, like a transit card, is also a closed-loop card.</p>

Question	Answer
<p><b>4. Where can I use them?</b></p>	<p>Prepaid debit cards can generally be used wherever cards for that network are accepted.</p> <p>Some types of prepaid cards also allow you to check your balance and take money out at an ATM.</p> <p>If your prepaid card doesn't have a network logo, you can only use it at one store or group of stores, like a retailer gift card.</p>
<p><b>5. Where can I get one?</b></p>	<p>The cards are sold online and in stores. Some prepaid cards, such as payroll cards or government benefit cards, are provided to you by your employer or government agencies.</p>
<p><b>6. Are there any fees to use a payroll card?</b></p>	<p>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.</p> <p>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.</p>



Question	Answer
<b>7. What happens if my payroll card is lost or stolen?</b>	You have similar protections against loss and theft of your payroll card, or theft of your funds using your payroll card information, as you would if your money were in a bank or credit union account.
<b>8. What about gift cards?</b>	The difference between most gift cards and prepaid cards is that gift cards are not reloadable. After you use the amount that was originally loaded on them, you cannot load more money on them. You will also use most gift cards at specific stores, not your store of choice. You often can use prepaid cards at an ATM, where you cannot use gift cards. 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 and Tricks for Managing Other Prepaid Cards

(SLIDE 10) (5 MIN)

- ✓ Prepaid cards are popular with lower-income households, seniors, and young people learning to manage money because they can sometimes appear cheaper and easier 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 prepaid cards, and comparison shop cards as you would any purchase.
- ✓ Prepaid card providers generally don't 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 run the card as "credit" or "debit."

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

The money will come out of your prepaid card account either way. In this case, "credit" and "debit" just have 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 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 your bank debit card. The federal Direct Express® card provides similar protections by contract.

Network-branded (MasterCard or Visa) prepaid debit cards usually give some protection, but you should check your card provider's website to find out the specifics.

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 on whether you registered the card.

- ✓ I spent \$30 on gas using my prepaid debit card, but my account shows a charge of \$75. Why? This may have happened because the \$30 transaction at the pump takes a few days to process. In the meantime, the gas station may have put a temporary hold of \$75 on your card to ensure the purchase is paid for. Once the transaction is processed, they will remove the temporary hold, and you will be able to use the rest of the money on your card.

Do not use prepaid cards to purchase gas at the pump or for hotels or rental cars. If you do, you may find you will not have access to more funds than the purchase for a long period of time.

# What are Chip and Pin Cards?

(SLIDE 11) (5 MIN)

Question	Answer
<b>1. What is a chip and pin card?</b>	<p>A “chip and pin” card adds an extra layer of security and anti-fraud technology for debit, credit, and pre-paid cards. You might also hear this called a Chip, EMV, or Smart card.</p> <p>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 the chips are more secure than the traditional magnetic-strip cards. First, it is more difficult to counterfeit a physical card. Secondly, even if a thief gets the transactional code, it’s worthless because it works only one time.</p> <p>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. Many major retailers already have them.</p>
<b>2. How do they work?</b>	<p>When you come across a chip terminal, follow 3 simple steps:</p> <ol style="list-style-type: none"> <li>1. Insert your Card into the slot in the terminal. Do not remove your Card from the terminal until the end of the transaction.</li> <li>2. If prompted, provide your signature or PIN to authorize the transaction. Some transactions may not require either.</li> <li>3. Remove your Card from the terminal when prompted.</li> </ol> <p>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 some getting used to.</p>

Question	Answer
<b>3. What if the store doesn't have a "chip reader"? How will I know whether to swipe or insert my card?</b>	<p>If the merchant does not accept chip cards yet, you can still swipe it just like a non-chip card. Be sure to follow the prompts on the merchant terminal if you aren't sure whether you should swipe or insert your Card.</p> <p>If the terminal is chip-enabled, it will prompt you to insert the card instead of swiping.</p>
<b>4. Will prepaid cards be switching to chip technology?</b>	<p>Yes. Prepaid cards are now using the chip technology just like other cards such as debit cards and credit cards issued by banks, credit unions, or other credit grantors.</p>








## Case Scenario: A Tale of Three Cards

(SLIDE 12) (7 MIN)

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
<b>Direct Express® for Social Security benefits</b>	<b>A popular prepaid debit card for general purchases</b>	<b>A non-reloadable gift card</b>
		
Dorothy had a Social Security deposit on her card this month for \$845.00. She made 12 transactions this month. Dorothy made one free withdrawal and accessed an in-network ATM twice this month. She accessed her balance once over the phone and once at a non-network ATM that charged a \$2.50 fee. Dorothy made a foreign transaction of \$100.00 this month.	Robert loaded \$500.00 on his 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 a non-network ATM that charged a \$2.50 fee. Robert made a foreign transaction of \$100.00 this month.	Martha purchased her own gift card over a year ago. She accessed her balance once over the phone this month and has not made a purchase on the card yet.

## Fees to Look for and Compare

(SLIDE 13) (5 MIN)

Fee Type	Fees for Dorothy's Direct Express®	Fees for Robert's Popular Prepaid Card	Fees for Martha's Gift Card
Activation, initiation fees, processing fees	\$0.00	Varies with retailer	\$2.95 – \$4.95
Point-of-sale transaction fee, or fee added by a store	\$0.00	Varies with retailer	\$0.00
Initial purchase	\$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
Monthly service fee	\$0.00	\$5.95—waived in any monthly billing cycle when you: <ul style="list-style-type: none"> <li>• Load at least \$1,000.00 on to your card;</li> </ul> OR	\$0.00

Fee Type	Fees for Dorothy's Direct Express®	Fees for Robert's Popular Prepaid Card	Fees for Martha's Gift Card
Monthly service fee (Continued)		<ul style="list-style-type: none"> <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 \$250.00 on to your card using direct deposit.</li> </ul>	
ATM withdrawal and teller cash advance	<p>One free withdrawal with each deposit to your Direct Express® Card Account</p> <p>Surcharge by ATM owner may apply \$0.85 each withdrawal after free transactions are used</p>	<p>Free at in-network ATMs</p> <p>All other ATM withdrawals: \$2.50</p> <p>Teller cash advance: \$2.50</p>	N/A

Fee Type	Fees for Dorothy's Direct Express®	Fees for Robert's Popular Prepaid Card	Fees for Martha's Gift Card
ATM balance inquiry at non-network ATMs	\$0.00	\$0.50	N/A
Fees to receive a paper statement	\$0.75 each month	\$0.00	N/A
Fees to call customer service	\$0.00	\$0.00	\$1.00
Lost/stolen card replacement	One free each year Then \$4.00 each	\$4.95	\$4.95
Dormancy fee	\$0.00	\$0.00	\$4.95
Reload at retail location	N/A	Varies by retailer, up to \$4.95	Not reloadable
Foreign transactions	3% of purchase amount	3% of total transaction amount	Only in U.S.
<b>Total</b>	<b>\$8.05</b>	<b>\$21.90</b>	<b>\$10.90</b>

## Tips and Tricks from You

(SLIDE 14) (2 MIN)

Share your tips for finding a good card and managing prepaid cards.

1.

2.

3.

4.

5.

# Cautions, Warnings, and Scams to Look For

(SLIDE 15 & 16) (4 MIN)

You may be particularly vulnerable if you get scammed while using a prepaid card, because you may not have legal protection or recourse to get your money back. Remember, if something sounds too good to be true, it probably is.

## Using and Protecting Your PIN

Try to choose a PIN that you can memorize and that would be difficult for someone to guess. Never tell anyone your PIN. Do not write it down in your wallet or on the back of your card. And when you are entering the number, position yourself so others can't see or photograph it. Criminals can watch you and get your card information and PIN while you are using your card at a store or ATM. They often use their cell phone camera while waiting behind you. When using an ATM, make sure you end your transaction before you step away, so that nobody else can access your account. You will know it has ended when you see a "thank you" screen or a "welcome" screen asking you to swipe your card.

## Losing Your Card

If you lose a card, you stand to lose whatever money is loaded onto it. Only load as much money on to your card as you are comfortable to lose.

## Returns

Some stores require that funds be added back to a prepaid card if you return an item. Be sure to hold onto your prepaid card until you are certain that you will not be returning anything you bought with it.

## Limited or No Protections from Fraud

Unfortunately, many prepaid cards lack the guaranteed protections we get with debit and credit cards. These include protections if your card is lost, stolen, or used for unauthorized transactions, or if the bank behind it fails.



### Unreasonable Fees

Find and read the fee schedule before you buy the card. Many cards are often loaded with fees, only a few of which might be disclosed at the point of sale. More detail can sometimes be found at the website of the bank or credit union that issued the card.

### Email Fraud

If you receive an email from an unknown person promising to share large sums of money with you after you give them your prepaid debit card number to cover the expenses, it is most likely a scam. Delete the email, and never give out the card number of your prepaid debit card to an unknown person or company.

### Marketing Scams

You may be tricked into purchasing prepaid debit cards while applying for loans online. Do not apply for loans online, and get an explanation of every fee you are charged.

### Phone Scams

Be wary of companies that call saying you are past due or that a utility is about to be shut off. It may be a scam. They may try to trick you into buying a prepaid debit card and using that to pay for the fake overdue amount.



# Questions?

(SLIDE 17) (2 MIN)

## Appendix A:

# Different Names/Brands of Prepaid Debit Cards on the Market

**P**roviders market prepaid cards under many names. For example, as a “prepaid Visa debit card,” “prepaid MasterCard debit card” or an “online shopping card.” The table below lists a few cards that you may come across on the market. Since the market is rapidly growing, you’ll more than likely see many other brands and types soon.

### Treasury 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 U.S. Treasury Department recommends this option.

### Payroll Card

Your employer may be able to arrange with a bank or credit union to pay you with 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.

### Government Benefit Card

Some states use prepaid cards to pay unemployment benefits, child support, and other government benefits. Instead of getting checks, you would receive a government benefit card, and each month your benefit amount would be loaded onto the card.

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.



## Gift Cards

Gift cards are prepaid cards that work only until you use up the money on the card. Typically, you cannot add more money to them later. A gift card might have a network logo on it (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.

## Rebate Card

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

# 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 anti-fraud technology for debit, credit, and pre-paid 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 the chips are more secure than the traditional magnetic-strip cards. First, it is more difficult to counterfeit a physical card. Secondly, 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. Many major retailers already have them.

## Closed-Loop Cards/Open-Loop Cards

A closed-loop prepaid card generally does not have a network logo on it (Visa, MasterCard, American Express, or Discover). You can only use these cards at certain locations—for example, a specific store or group of stores for a gift card, or your public transportation system for a transit card.

Cards that have a network logo 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, like a retailer gift card.

## Credit Card

Like a prepaid debit card, credit cards have on them a network logo like Visa, MasterCard, American Express, or Discover.

When you use a credit card, you are borrowing money. When you use a prepaid debit card, you are spending money that you have already paid to put on to the card.

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

## 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 U.S. Treasury Department recommends this option.

With it, you can make purchases at stores that accept Debit MasterCard, pay bills, purchase money orders from the U.S. Post Office, and get cash from an ATM or financial institution that displays 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 [www.USDirectExpress.com](http://www.USDirectExpress.com).

When you sign up to receive your Social Security, Supplemental Security Income, 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 benefit 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 use up the money on the card. A gift card is a prepaid card. A gift card might have a network logo on it (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.

## Government Benefit Card

Some states use prepaid cards to pay unemployment benefits, child support, and other government benefits. Instead of getting checks, recipients receive a government benefit card, and each month the benefit amount is loaded onto the card. The federal government also uses prepaid cards to pay certain federal benefits, such as Veterans' benefits or Social Security benefits. Government benefit cards are sometimes called Electronic Benefits 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.

## Non-Reloadable

If your card is non-reloadable, you cannot add money to it after you receive it.

## Open-Loop Cards/Closed-Loop Cards

Cards that have a network logo (such as Visa, MasterCard, American Express or Discover) are called "open-loop" cards.

They can be used at any location that accepts that brand.

If your prepaid card doesn't have a network logo, you can only use it at the one store or group of stores you bought it from. It is like a store gift card.

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

## Payroll Card

Your employer may be able to arrange with a bank, credit union, or other financial institution to pay you with 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 Card**

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

They typically carry a network logo (Visa, MasterCard, American Express, or Discover).

### **Rebate Card**

These cards might have a network logo (Visa, MasterCard, American Express, or Discover) on them, which usually means you can use them anywhere the 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 after you have used them.

### **Reloadable**

Prepaid cards are reloadable, meaning you can add more money to them after you have used them.

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## Other 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* to find videos, infographics and articles about building an emergency fund, managing bills, handling overdue debts, and more.

## Notes



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