Practical Money Skills
Canada

PRACTICAL MONEY GUIDES

PREPAID CARD BASICS

What you should know about using prepaid cards

VISA

PREPAID CARDS — AN ALTERNATIVE TO CASH

A prepaid card is a card you can load with a set amount of money to allow you to make purchases at thousands of merchants. There are many types of prepaid cards available in Canada. For example, prepaid cards developed for the youth segment can help parents teach their teenagers how to use financial products and spend responsibly, while prepaid gift cards make gift-giving easier than ever.

PRACTICAL MONEY GUIDES

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PREPAID CARD BASICS

IDENTITY THEFT

When you understand how to manage your finances, you've got an invaluable tool in taking control of your life. Wise use of these skills can provide peace of mind, financial freedom, increased buying power and a secure future. This guide is one of a series on **PRACTICAL MONEY SKILLS FOR LIFE.**

What Are Prepaid Cards?

A prepaid card looks like a debit or credit card and allows you to make purchases without cash or cheques. Unlike credit cards, it is not a loan of funds, nor is it linked to your bank account.

A prepaid card has no value until money is added to it. Spending is limited to the amount of money added to the card. Each time the card is used, the purchase amount is automatically deducted from the balance on the card. Once the balance reaches zero, the card is empty. Some prepaid cards allow you to load additional money onto the card so that you can continue to use the card for purchases. Others, such as gift cards, are not reloadable and can be discarded once the value of the card has been spent.

With Prepaid Cards You Can:

- Easily make purchases in person, online, or by phone
- Give as a gift to friends and family
- Help teach your teen responsible spending habits
- Budget for travel
- Separate your spending from other accounts

Choosing a Prepaid Card

When choosing a prepaid card that is right for you, consider the following:

- Ask if you can put money on the card yourself, how to do that, and what it costs.
- Get information about where and how you can use the card.
- Find out how you can check the balance of your prepaid card over the phone or online.
- Understand all associated fees for services like activation, monthly maintenance and loading additional funds onto the card.

Determine how you want to use your prepaid card and make sure you're buying the right card with the right features and functionality for your needs.

HOW DO PREPAID CARDS WORK?

When you use a prepaid card to make a purchase, the amount you spend is deducted from the balance of the card. Once the balance on your card reaches zero, the card can no longer be used for purchases unless it is a reloadable card, in which case you can add funds and continue using it.

Kinds of Prepaid Cards

OPEN LOOP VS. CLOSED LOOP The two main types of prepaid cards are open loop and closed loop cards. Open loop cards or "branded" prepaid cards display a payment network brand logo (i.e. Visa) on the front of the card and they are always issued by a regulated financial institution. They can be used for purchases anywhere that network brand is accepted. Closed loop cards or "Private Label" prepaid cards are sold by a merchant for use exclusively at that particular merchant's locations.

Features to Look for in a Prepaid Card

There are many prepaid cards out there, and choosing the right one is important. What features are most important to you?

RELOADABLE A prepaid card that is eligible to have additional funds loaded after the initial funds have been loaded. For example, general purpose cards or prepaid travel cards are "reloadable prepaid" cards, meaning you may purchase the card and load an initial amount, and continue to add funds to the card for future use.

NON-RELOADABLE A prepaid card that is loaded only once and does not allow for you to add more funds to the card. For example, open loop gift cards are a "non-reloadable prepaid" card, meaning the initial value is set by the person who purchased the card and additional funds cannot be added later.

LIABILITY PROTECTION Some prepaid cards will protect your balance in case the card is lost or stolen. All Visa prepaid products come with the protection and security of Zero Liability. So unlike cash, Visa prepaid cards can be replaced if lost or stolen. Be sure you understand whether or not the prepaid card you have chosen protects you.

EXPIRATION DATES While the value on your prepaid card never expires, some cards carry monthly maintenance or "inactivity" fees, which will reduce your card balance. It's important for you to read all of the material that comes with your card so that you understand if there are any additional fees.

FEES Is there an activation fee charged when you set up the card? Is there a purchase fee? Are there any monthly maintenance fees? What are the fees charged for ABM withdrawals? Take note of any fees associated with the card you choose.

HOW TO PROTECT YOURSELF AND YOUR MONEY

Once you've chosen a prepaid card or received one, it's up to you to keep your money safe. Here's how:

USE THE CARD CAREFULLY Look for the initial balance in the card materials that come with your card at the time you receive it. When making a purchase, be sure to record the amount and make note of your new balance. It is important to know the remaining balance before making a purchase, as making a purchase for a greater amount greater than your balance could result in a declined transaction.

If the option is available, you should register your prepaid card with the issuer of your card.

GET THE IMPORTANT INFO Make sure you know your card issuer's policies on fees and lost or stolen cards, and keep your card number and the customer service phone number in a safe place at home.

ACT QUICKLY If your card is lost or stolen, let the card issuer know right away. Card issuers may block the funds so the card can't be used and send you a new card with your remaining balance on it. Be sure to write down your card number and keep it in safe place in the event that your card is ever lost or stolen.

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