



# 2006

# Consumer Decision-Making Contest Study Guide

## Gift Cards

One of the fastest growing gifts around is not the latest video game but the gift card! No matter the occasion, you're sure to receive at least one. Gift cards offer many conveniences. For the giver, it means you won't make a mistake on size, color, or style. You hand over your cash, and you receive a card worth that amount to the recipient. For the recipient, it means not having to return a gift that didn't fit, you already had, or just wasn't you.

### Retail Cards vs Bank Cards

**Retail cards.** Most of us are familiar with the retail gift card. These are cards that are bought at and can be used at a particular retail establishment, like Wal-Mart, Best Buy, or McDonald's. Some retail gift cards can be used at other establishments owned by the corporation. These establishments would be listed on the back of the card. (For example, a Red Lobster card can also be used at Olive Garden, Bahama Breeze, and Smokey Bones restaurants).

**Bank Cards.** Bank gift cards are gaining in popularity. These cards carry the logo of credit, debit, or charge card companies like American Express, MasterCard, Visa, or Discover. They may be issued directly by the company or by a bank, mall, or other institution and carry the credit card company logo. The advantage of bank gift cards is that they can be used anywhere that type of credit, debit, or charge card is accepted; and it may allow the owner to withdraw cash at ATMs. Mall cards, however, can only be used at the named mall or mall chain.

While gift cards may seem like the perfect gift, there are some things you need to know before buying one. Some cards may have expiration dates and/or charge fees for non-use or monthly maintenance fees. In a study conducted by the Montgomery County, Maryland, Division of Consumer Protection, bank cards were found to have the most fees including fees to buy the cards, transaction fees when you use the card, and fees to 'reload' or add more money value to the card. Here are some things to look for when buying gift cards:

- Expiration dates. Does the card have an expiration date? If so, it should be listed on the card, the packaging, or the website (if buying online). Some cards expire as soon as six months from purchase. If you receive a gift card, experts recommend using it as soon as possible to avoid it expiring before using all of its value. In any event, if there is an expiration date, it should be visible on the card or packaging.
- What fees will be charged? The most common fees include inactivity or dormancy fees for non-use. These fees can drain the value of the card. An example of this fee is \$2.00 per month after a card hasn't been used for 18 months. Many states have passed laws prohibiting such fees, which have resulted in many retailers eliminating the fees, but they still exist on some cards.
- Can a card be replaced if it is lost or stolen before its value has been used up? If so, is there a fee for replacement? Some companies require the original receipt and

card number. Check the requirements for any card you are considering.

- Is there a processing fee? Many bank cards charge a fee to purchase the card. The Montgomery County study found this fee to range from \$2.50 – \$9.95.
- Can the bank card be used to obtain cash from an ATM, and is there a fee? Common fees are \$.99 – \$2.50 per transaction above any charges levied by the ATM.
- Is there a monthly maintenance fee? Many bank cards charge this fee ranging from \$2.00 – \$4.95. Some fees begin immediately; others delay the fee for 6–12 months. The fees will kick in automatically, whether the card has been used or not.
- Is there a fee for balance inquiry? Some cards allow the card holder to check the balance remaining on the card via telephone or internet. Fees range from \$.41 – \$1.00 per inquiry.
- Some bank cards allow the user to ‘reload,’ or add more value, to the card. If this is an option, check to see if there are charges for reloading and limits on how many times the card can be reloaded.

## Recommendations

For those who give or receive gift cards, consider the following recommendations:

- Givers should review all terms and conditions of a retail or bank gift card before purchase. You may decide against a card with a lot of fees that could drain the value of the card or one where this information is not readily available.
- Givers should send the original receipt with the card so the recipient can more easily obtain a replacement if the card is lost or stolen.
- Recipients should review the terms and conditions of a gift card immediately upon receipt. If there is an expiration date, use the card immediately. If you receive a bank gift card, avoid transactions that will result in fees.

## References:

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[http://www.montgomerycountymd.gov/content/dhca/consumer/consumer/gift\\_cards\\_report\\_2005.pdf](http://www.montgomerycountymd.gov/content/dhca/consumer/consumer/gift_cards_report_2005.pdf).

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