

GIFT CARDS

Gift cards have become popular gifts for all occasions. They are practical, convenient, and easy-to-use. To get the most from a gift card it's important to understand how they work and what the law requires.

A gift card is like a prepaid credit card. You pay the money up front and then can spend up to the amount paid. Unlike credit or debit cards, gift cards are stored value cards. The magnetic strip on the back keeps track of how much value is left on the card. Unless the card is registered or you saved the receipt, losing a gift card is like losing cash. Anyone who finds it can use it.

Gift cards are available from most retail outlets. Grocery stores, drug stores, and discount department stores often offer a large selection of gift cards from numerous national and regional retail chains. You can even buy gift cards online.

To deter theft, gift cards have no value until they are activated by the cashier. Without activation the card won't work. You can tell by looking at the receipt if a card has been activated or not. If so, the receipt should include an activation code and other information about the gift card.

Gift cards fall into three categories:

Bank Gift Cards: These cards carry the logo of a payment card network such as Visa, Discover, MasterCard, or American Express, and can be used wherever the logo on the card is accepted. Since they are essentially a substitute for carrying cash, they are sometimes referred to as "cash cards". These cards offer great flexibility. Generic gift cards generally include an upfront fee and sometimes a transaction-based fee. For example, you may pay \$30 for a card worth only \$25. Be certain to research the card fees before you purchase them.

Associated Gift Cards: Some gift cards may be used at several different but connected retail outlets such as all the stores at a particular mall or shopping center. For example, Red Lobster gift cards may also be used at Longhorn Steakhouse, Olive Garden, and Bahama Breeze because they are all owned by Darden Restaurants.

Retail or Single-Store Gift Cards: These gift cards are sold by retailers and restaurants and can be purchased and used at any location of a specific business. They are often available for purchase next to the cash register, from the company website, and at retail outlets that sell gift cards.

Within retail gift cards, there are 2 subsets:

The first is retail gift cards for physical stores such as Macy's, Victoria's Secret, Outback Steakhouse, Bass Pro Shop, Target, Old Navy, PetSmart, and more. These can be physically

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purchased in store as a plastic card which can then be hand delivered, or they can usually also be purchased online which can then be emailed to the recipient.

The second subset is retail gift cards for online stores that do not have physical locations such as Google Play, Amazon, Groupon, or Etsy.

Here are some common questions to consider when buying gift cards:

- What are the terms and conditions?
 - Any fees and/or expiration dates associated with the gift card must be clearly stated on the card or the card's packaging by law.
 - The terms and conditions must specify what you can do with the gift card and where you can use it.
- Can you add money to a gift card?
 - It depends. Most bank gift cards are re-loadable, meaning you can put more money on them after the initial purchase. Most stores simply issue a new card.
- What happens if the card expires?
 - By law, the money on gift cards is good for at least five years from the date of purchase. Money added later is good for at least five years from the date the value was added to the gift card.
 - If your gift card expires with unspent money on it, you are entitled to request a replacement card at no charge.
- Can a card be replaced if it is lost or stolen?
 - Maybe. Some gift card providers allow you to register your card. If so, a cashier can access the balance on your card without having the card itself with simple information like your name. If you can't register the gift card, hold on to the packaging and receipt to have the information needed for replacement.
- Is there a processing fee?
 - Some generic gift cards include a processing fee in addition to the face value of the card. You should never be asked to pay any fee for putting more money on a re-loadable card at a later date.
- Can I get charged for not using the card?
 - Yes. If your gift card doesn't get used for a full year after, you can be charged once per month until you use it again.
- Can a bank gift card be used to obtain cash from an ATM, and is there a fee?
 - You can only get cash at ATMs from bank gift cards (cards with a credit logo such as Visa, Master Card, American Express, etc.). The terms and conditions on the back of the card or on the packaging indicate whether or not you can get cash from an ATM and what the fee may be. Watch for additional fees for retrieving funds from a different bank than the one that issued the card. For example, if you use a gift card with a BB&T logo to get cash from a Wachovia ATM, additional fees may apply.
- RECOMMENDATIONS:
 - Givers:
 - Decide which type of gift card is best for the person on your shopping list. Do you want the flexibility of a bank/generic gift card or did you have something more specific in mind, like dinner at a favorite restaurant?
 - When sending gift cards out of town, make sure they can be easily used by the recipient. Does the store from which the gift card was purchased operate in the recipient's community?
 - Review all terms and conditions of the gift card to make sure it meets your needs as well as those of the recipient.

- Provide the packaging and the receipt with the gift card so the recipient can easily replace it in case it is ever lost or stolen.
- Recipients:
 - Keep the packaging and/or receipt for any gift cards you receive in a safe place. You'll need the date of purchase, contact information for the store or bank, and the registration number for the card if it's ever lost or stolen in order to replace it.
 - Carefully read the terms and conditions that come with the card. Note when the card was purchased and what fees the card may carry in the event that it's lost, stolen, or not used.
 - Use your gift card! Dormancy fees kick in if the gift card hasn't been used in the last 12 months.

References:

The Federal Reserve, "What You Need to Know: New Rules for Gift Cards."

Credit CARD Act of 2009

Federal Trade Commission Consumer Information

WalletHub.com

Giftingglory.com

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