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MANAGING IN TOUGH TIMES INITIATIVE

# FAMILY FINANCIAL MANAGEMENT

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THIS MONTH'S TOPIC:

## Thoughtful and Thrifty-Gift Cards

Gift cards are one of the most popular holiday gifts and many of us will receive one this holiday season. Sometimes, the "rules" associated with gift cards can be a mystery, leading to unused gift cards.

When does the card expire? Is there a processing fee? If there an inactivity fee? Can I use the card online?

To get the best use out your gift card, it is important to understand the new rules in the 2010 Credit Card Act, which applies to all gift cards sold after August 22, 2010. Store cards, as well as gift cards with a credit card logo, such as Visa or MasterCard, are covered under the new regulations.



The good news is your gift card will no longer expire in 3, 6, or 12 months. It will be good for at least five years from the date of purchase, so do not feel as if you need to rush out to buy something just to use the card quickly. Even if the card expires, you may still be able to spend any remaining funds, by requesting a replacement card from the issuer, which should be issued free of charge.

Read the gift card or its packaging closely. Any fees such as an inactivity fee or processing charge must be disclosed on either the card or the packaging. The new law also places limits on fees the issuer can charge. Typically, you can still be charged a dormancy fee if you have not used the card within one year.

Finally, be certain what type of card you have, as the new rules only apply to gift cards. There are other types of prepaid cards that are not included in the legislation, such as reloadable prepaid, store rebate, or promotional cards.

Written by: Jennifer Hunter, Ph.D., Assistant Extension Professor, Family Financial Management.

Source: What You Need to Know: New Rules for Gift Cards, Board of Governors of the Federal Reserve System. Retrieved on November 28, 2010 from [http://www.federalreserve.gov/consumerinfo/wyntk\\_gift-cards.htm](http://www.federalreserve.gov/consumerinfo/wyntk_gift-cards.htm).

## *Gift cards are one of the most popular holiday gifts*



### **The Trappings of Gift Cards**

We all like getting plastic because of what it represents: unrestricted shopping! It is one gift that is usually never returned. Companies are posting billions of dollars in gift card sales and that trend is on the rise. But what does this mean for youth consumers? According to recent studies, gift cards are more positively received than cash gifts. However, when gift cards were used, the amount of the sale was significantly more than cash gifts spent (White, 2008).

There are also other traps to beware of when receiving gift cards, such as expiration dates or dormancy fees (Horne, 2007). A study from Consumer Reports indicated that 19% of gift cards remained unredeemed nine months after presented (Consumer Union, 2006).

It is important to remember to watch additional spending in connection with gift cards, inquire with the store/company if there are any dormancy fees, always check if there is an expiration date, treat the card as cash, and most importantly, do not forget to spend it!

Written by: Stephanie S. Blevins, Ph.D., Extension Specialist for 4-H Youth Development

Sources: Consumers Union. n.d. 2006. Consumer Reports Holiday Shopping Poll Reveals How Americans Plan to Shop for the 2006 Holidays. <http://www.consumersunion.org/pub/2006/10/003974print.htm>.

Horne, D., 2007. Gift cards: Disclosure one step removed. *The Journal of Consumer Affairs*, 41 (2); 341-350.

White, R. (2008). The mental accounting of gift card versus cash gift funds. *Advances in Consumer Research* 35; 772-773.

### **Green Gift Cards**

The amount of household waste in the United States generally increases 25 percent during the holiday season. This equals about 1 million extra tons of waste produced between Thanksgiving and New Year's Day.

This Christmas season, save and go green by giving the gift of a service or skill. Create gift cards or vouchers for a home-cooked meal, babysitting, cleaning the house, gardening, or washing the car. Consider talents or skills that you could teach family and friends, such as lessons in cooking, canning, scrap booking, sewing, playing an instrument, or painting.

Give creatively this holiday season. By providing a service or sharing a talent or skill with your loved ones you reduce the amount of waste produced, in the form of packaging and wrapping, save money, and provide a unique gift to a family member or friend.

Written by: Ashley Osborne, Extension Associate for Environmental and Natural Resource Issues.

Source: Reduce, Reuse, Recycle: Greening the Season. U.S. Environmental Protection Agency (2011). Retrieved at <http://www.epa.gov/region9/waste/recycling/index.html> on November 3, 2011.

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