

Prepaid Cards 101

Prepaid cards are electronic cards which allow card holders to access funds deposited to an account. A prepaid card can be used to withdraw money or pay for goods and services.

Commonly, prepaid cards are referred to as [prepaid credit cards](#) or prepaid debit cards; however, they are actually different.

Unlike a credit card, which extends a line of credit, prepaid cards are more similar to debit cards. Prepaid card holders can only spend the money they load on the card. Since no credit is extended to prepaid card holders, interest and overdraft fees are avoided.

How Much Do Prepaid Cards Cost?

The fees associated with prepaid cards differ depending on the company offering the service. Opening and activating an account can range from \$0- \$30. In addition, companies will usually charge a monthly maintenance fee ranging from \$5-\$10 and they also may charge transaction fees each time the card is used. Some companies offer free direct deposit which allows card holders to electronically deposit their paychecks to avoid paying expensive check cashing fees. To understand what fees will be charged, it is important for card holders to read the card's terms and conditions prior to signing up.

How to Add Money to Prepaid Cards?

There are many ways to load money onto a [prepaid card](#).

The simplest way to load a card is to have the funds electronically deposited. Most companies allow payroll and government checks (such as social security, unemployment, tax refund, and disability checks) to be directly deposited into a cardholder's account. Another way of electronically loading money to a card is by transferring funds from PayPal to the prepaid account.

Cash can also be used to load a prepaid card. Money transferring services, such as MoneyGram or [Western Union](#), can be used to load cash onto a prepaid card.

Why Use Prepaid Cards?

There are many benefits of using a prepaid card.

For instance, more businesses are requiring credit or debit cards when dealing with their company. Most motels, hotels, car rentals, and airlines require a major credit card to be used when making a reservation. Also, most online shopping is done using a credit or debit card. With a prepaid card, those who normally deal in cash can use their card to secure reservations at various businesses, pay bills electronically and shop online.

Prepaid cards provide many conveniences to its consumers. Prepaid cards can be found at a number of different places, including gas stations, [check cashing](#) centers, second chance banking companies, supermarkets, and even online. Applying for a card is quick and easy. As mentioned, some providers even offer its customers the convenience of having their paychecks directly deposited to an account.

Prepaid cards can be used anywhere that debit or credit cards are accepted. Some establishments even prefer prepaid cards over credit and debit cards because they assure vendors that funds are sufficient. Since prepaid cards are protected by a secure PIN number, they can be used to withdraw money from most ATM machines.

Who Uses Prepaid Cards?

Prepaid cards are often used by those who don't qualify for a checking account or credit card, usually because of bad credit or other reasons. However, prepaid cards can be beneficial to others as well.

Prepaid cards can be a useful tool for teenagers entering adulthood. For those teens looking for a way to manage their income from an after school job, prepaid accounts don't require a minimal balance like most banks accounts. Usually requiring only a valid social security number (age requirements vary from company to company); teens can set up their own prepaid account or be a second card holder on their parents account.

For parents, prepaid cards eliminate the frustrations that come with giving their children cash allowances. Once their child has been added as a second card holder, parents can give them an allowance by electronically adding funds or loading cash to the account. Also, since the parent is the primary account holder, they can check the activity of the account to ensure their child is spending their allowance responsibly. Even for children who head off to college, parents can continue adding funds to the account. Friends and family, who prefer giving money as gifts, can also add funds to the account.

For some, prepaid cards can be used as a way to discipline spending habits. Since prepaid cards only use deposited funds, excessive shoppers may see them as a healthier alternative to credit cards. By using a prepaid card instead of a credit card, items are not bought on credit, eliminating the headaches of high interest rates.

Also, people trying to establish themselves after bouncing checks or filing for bankruptcy often find prepaid cards as a useful tool for getting back on their feet. Some companies offer programs that help build a positive payment history. Good account behavior, such as paying bills on time, is submitted to credit reporting agencies to help demonstrate credit worthiness.

Among its many uses, prepaid cards provide a tool for keeping up in a society that is becoming increasingly dependant on electronic forms of payment.