



Gift Cards Exposed

The Motley Fool

By *Elizabeth Brokamp*

Uncertain what to get your child's teacher, the mailman, or your exercise partner? More and more of us are reaching for gift cards. Attractive because they allow the recipient to pick exactly what they want, gift cards come in all colors, varieties, and denominations. They also come with more restrictions than you may realize.

Don't get tripped up by the fine print on your gift cards this year; read on for the scoop on these festive little slabs of plastic.

What kind of card should I choose?

Gifts cards come in two main varieties: those that are specific to a certain store and others that can be used more like a credit card at a range of venues. At first glance, it sounds like a general purpose card (like American Express) is the better deal because it offers the recipient even greater choice. At second glance, you'll want to be sure the card is as widely accepted as it claims.

While theoretically, consumers should be able to use an American Express, Visa, or MasterCard gift card any place that accepts those credit cards, the reality may be different. Indeed, while my American Express gift card was technically accepted at retailers like Michaels and Toys "R" Us, I encountered store clerks who stared blankly at the card, weren't sure how to handle a purchase that cost more than the gift card balance, and had to ask for help from more seasoned employees. Not exactly the kind of seamless shopping experience you want to tie up in a bow for your friends.

If you know your recipient well enough to know where he likes to shop or where she likes to buy her lattes, you'll probably be better off getting a store-specific card. These cards tend to have fewer fees, though you'll still want to pay close attention to the expiration date.

Where should I purchase a gift card?

Don't be lured into the convenience of buying a gift card online. You'll probably pay fees ranging from just a couple of dollars to the low double digits just to get that glorified piece of plastic shipped to you. You may also be saddled with a "service fee," otherwise known as the amount the company charges you to talk with a human being. Better to head to the bricks-and-mortar store to make the purchase.

What do I need to look for in the fine print?

1. Use it or lose it? You'll want to find out how long the gift card may be used. Some cards are no longer usable after the expiration date, regardless of how much money you may have remaining. Others begin charging hefty "maintenance" surcharges and replacement fees once the initial activation period (typically six to 12 months) has ended.



2. Can it be used for an online purchase? For folks who prefer online shopping, gift cards can be a tricky business. Many sites require that you phone in gift card orders or place them in person rather than completing them online.

3. Can I get a replacement if the card is lost or stolen? Many companies chalk up lost or stolen cards to your bad luck and won't compensate you in any way. A few will actually supply you with a replacement. The catch? They may charge you a fee —typically in the \$5 to \$10 range — or require proof of your last purchase with the card (not so helpful if you've never used it). You'll also want to purchase any gift cards with a check or credit card to ensure a paper trail should the gift card get lost.

4. What happens if my purchase costs more than the card balance? Let the clerk know up front if you want to pay with a combination of gift card and another form of payment. This will save you the embarrassment of having your card denied for exceeding the gift card limit. It will also give the manager more time to come and help the teenaged clerk remember the steps for the transaction.

While some stores will allow you to pay with a combination of a gift card and a regular credit card, you'll be safest bringing along cash or a checkbook with ID. Even if combining with a credit or debit card is allowed, the longer wait may be irksome to both you and the folks waiting behind you in line. You'll also save everyone time by knowing the balance you have available on the card before you set foot in the store.

5. Can my gift card be turned into cash? It's typically the general-purpose cards that allow you to cash out, but the strings attached can make this an undesirable option. You'll likely be charged a substantial fee (\$10 to \$15), something you can avoid by simply using the gift card within the activation period. Most store-specific cards only allow you the option of getting store credit; they prefer keeping your business captive.

6. Can I use my gift card for all kinds of purchases? You may be surprised to know that those general-purpose cards that can purportedly be used everywhere cannot be used for every thing or at least not without complications or, you guessed it, extra fees. For example, you won't want to use your general-purpose gift card at the gas pump because of how those transactions work. When you pay at the pump, the pump terminal is often pre-programmed to get approval for a set amount, typically \$75. If this pre-approval gets applied to your gift card, even if you pump significantly less than \$75, you'll have a "hold" on your gift card for the higher amount until the charge goes through — sometimes as much as a week later.

The bottom line

If you give one:

If you get one:

If you have a problem using your card, contact the store or card issuer first to try to resolve the problem. Further complaints? Contact the [Federal Trade Commission](#), [your state's attorney general](#), or in the case of bank-issued cards, the federal government's [Office of the Comptroller of the Currency \(OCC\)](#).



For even more tips on making the most of your money, take [Motley Fool GreenLight](#) for a test drive. Each issue promises to make or save you at least \$450. Best of all, it's [free to try](#) for 30 days.

*Fool contributor [Elizabeth Brokamp](#) is a licensed professional counselor who regularly talks money with her honey, Robert Brokamp, editor of *The Motley Fool's Rule Your Retirement* newsletter. To get your money and relationship questions answered, send her an [email](#). MasterCard is an Inside Value recommendation. The Motley Fool has a [disclosure policy](#).*

This feature may not be reproduced or distributed electronically, in print or otherwise without the written permission of uclick and Universal Press Syndicate.