

Gift-Card Gotchas

The Motley Fool

By Mary Dalrymple



I can be a little old-fashioned about certain things, like table manners, thank-you notes, and the idea that gifts should be objects chosen with the recipients in mind rather than cash disguised as a colorful plastic card redeemable at your local grocery store.

But, love them or hate them, there will be nary a stocking in the land without at least one gift card inside this month. More than half of this year's shoppers plan to buy at least one. If you've got a gift card or two on your shopping list, consider these tips for making them gifts without grief.

The "gift" in gift card

A gift card can actually be an extremely thoughtful gift, provided you put some thought into it. It can get you out of a jam when you don't feel qualified to pick out the present yourself. Take your favorite aunt, a fiendish knitter, for example. If you don't know worsted from a woolly mammoth, a gift certificate to a yarn shop can be the perfect gesture.

They're also great for those presents that can't be wrapped and stashed under the tree, like a massage, a romantic dinner for two, or a trip in a hot-air balloon.

But a gift card is still a gift and, as such, it should artfully match the desires of the recipient. The last thing you want your gift to say is, "I forgot about your present until Christmas Eve, when I happened to be standing in the checkout line at Jim's Bait-n-Bobbles. Here, Mom, buy yourself some fishing tackle." Select a gift card like a present, and put a little thought into the tastes of your family and friends.

The hassles

One reason we like to give gift cards is that we love to receive them and then go out on a guilt-free shopping spree to treat ourselves. Don't spoil the fun by burdening your friends and family with cards that come with lots of restrictions and fees.

When selecting a gift card, find something the recipient can use. *Consumer Reports* recently published the results of a survey showing that 27% of people who got gift cards last year never redeemed them. **Best Buy** (NYSE: BBY) claimed a \$43 million gain from unused gift cards in its 2006 annual report, while **Home Depot** (NYSE: HD) reported a similar gain from cards sold between 1998 and 2001. **Limited Brands** (NYSE: LTD) reported \$30 million in gains from unused gift cards. And the windfall may be even bigger for large retailers such as **Wal-Mart** (NYSE: WMT) and **Target** (NYSE: TGT), even though they haven't specifically reported gains from gift cards. That's great news for the retail business, but for the consumer, that's wasted money.

Ironically, *Consumer Reports* found that many people didn't use them for the same reason that many givers hand them out — they don't have time to shop. If you're considering a gift card for a very busy person, do them the favor of selecting the gift yourself.

Keep an eye out for these other hassles, too:

Fees. More common with debit-style cards issued by banks, fees charged to the recipient can chip away at the value of your gift. Keep an eye out for maintenance fees and usage fees. You may also find charges if the recipient wants to redeem the card for cash or replace a lost card.

Expiration dates. Nothing like finding an old gift card in the filing cabinet and getting all excited about a shopping trip, only to find out it's just a worthless piece of plastic. If you can't avoid expiration dates, at least do the recipient a favor and make it clear the card won't be good forever.

Shopping outlets. Give your friends and family gift cards to retailers near their homes, or gift cards that can be redeemed online. There's nothing worse than getting a gift card that requires a trip to another state to redeem.

If you can't avoid these problems, but you still want to give your friends and family gift cards, consider sending them [plain old cash](#). It's accepted everywhere, and it never expires.

Before you head out to the mall, keep reading and find out:

[holiday credit](#), why gift cards may be no gift to [retail investors](#), and how to [stay safe](#) if you're shopping online.

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