

FINANCE

Prepaid Cards Come Out on Top for Savings

NewsUSA

(NU) - Economic woes have changed people's mindsets about spending. Now, many Americans are relying on prepaid cards to control their spending and budgeting.

Branded prepaid cards (cards with an American Express, Discover, MasterCard or Visa logo) require pre-loaded funds, so they can't be overdrawn. The cards can be used anywhere the logos are accepted.

A direct comparison study published in October by G. Michael Flores of Bretton Woods, Inc., a management advisory firm specializing in financial institutions, shows that those with checking accounts pay more for similar services than users of branded prepaid cards.

Flores' research found that bank customers pay from \$200 to just over \$350 annually for a basic checking account. Users of prepaid cards with direct-deposit pay \$110 to \$210 annually.

Consumers who rely on check cashing services and money orders to meet their monthly obligations can also cut costs by using prepaid cards. Many prepaid programs allow automatic payroll depositing, so money is available on the card on payday.

"While prepaid cards should not be considered a replacement for checking accounts in all circumstances, we see that consumers are finding a number of ways to use the cards to promote fiscal responsibility and smart budgeting," said Kirsten Trusko, President and Executive Director of the Network Branded Prepaid Card Association (www.nbpc.com).

"Families purchase prepaid cards and load spending allotments



Branded prepaid cards can be a useful spending and budgeting tool.

for the month, professionals have their paychecks directly deposited onto them to avoid the wait time of cashing a check or ATM fees, and under-banked consumers use prepaid cards to avoid the costs and hassles of check cashing services," added Trusko.

The NBCPA offers the following tips for saving and budgeting with prepaid cards:

- Directly deposit paychecks onto the card for immediate access to funds.
- Load only the amount your family can spend each month.
- Use prepaid cards instead of checking accounts to make automatic bill payments and carefully monitor spending online.
- Give prepaid cards to teenagers to teach them the responsibility of using a card. Let them load cards with their own money.
- Make digital payments without the risk of credit card overdraft.
- Find easy access to digital payments, even as credit card qualifications become more stringent.