



Pre Paid Debit

Credit Learning Center



Previous

Not even a credit card, but the convenience of use is still there.



Next

Additional Credit Topics

Pre Paid Debit by Steven Anderson

Pre Paid Debit

Credit cards rule the world these days. You can hardly shop online or even for groceries without one. OK, you can use cash, but look at all those impatient faces behind you while the clerk tries to make change. You need it to rent cars and even secure a room at a hotel. So if you have good credit it's not a problem because you probably already have one, but what if your credit scores aren't the envy of the neighborhood, or you don't have any credit at all? You've heard people talking about prepaid debit cards and they sound like the perfect solution, but are they?

Before you can decide if a prepaid debit card is right for you, you need to know about them, how they work and what the benefits are. Hopefully after you get done with this you will be able to decide if a prepaid debit card is the path to your future.

Let's talk about how they work. You can't decide anything until you know what you are dealing with. These prepaid debit cards function just like a standard credit card. They are accepted anywhere traditional credit cards are accepted, but they work on a pay as you go sort of way. Instead of receiving a line of credit from a bank you must load your card with funds, in other words, **pay your own line of credit.**

Once the card is loaded you use it just like you would use a normal credit card. When you purchase something the transaction cost is deducted from the amount you preloaded onto the card. Once the funds on your card are depleted you cannot use it again until you reload the card.

These types of cards provide an alternative when buying online and when using it for groceries and gas, but they provide security by not being linked directly to your bank account. They are also simple to load which makes them an effective and convenient way to shop.

Now that you know what it is, we're going to talk about the pros and cons. I always like to start with the bad news first so the good news can cheer me up afterwards. It's always better to end on a good note.

So what are some of the disadvantages? The first one is that there is a limit to how much cash you have to deposit. Another downfall is that they do not offer the same charge back protection, so if you have a dispute with a merchant you might not be able to get your money back. These cards do not improve your credit score unless explicitly noted. There is little to no protection for lost or stolen cards. There are also application fees, monthly service fees and ATM fees.

Now that we have slapped on all of the bad news let's cheer up with some good news. There are a lot of advantages to having one of these cards. It is a lot safer than carrying cash. You can reload them online, at ATMS and over the phone. They are accepted worldwide due to Visa and MasterCard. Your application is almost always approved if you are over the age of 18. There are no monthly bills.

These cards help you to avoid debt by controlling your spending. Luckily there are no interest fees or loan balance fees. Zero liability for unauthorized use of their cards in most cases is also another bonus of the prepaid debit card.

Now you know what a prepaid debit card is and the pros and cons of one. But that is not the complete story as many banks and card issuers offer different types of terms and conditions. So before you apply for



your prepaid debit card make sure you soak up all that knowledge and you read the fine print. Once all that is done, and if you decide this is the route for you it is as simply as applying online.