

Gift Cards

American will spend over \$80 billion on gift cards this year. Are they getting their money's worth? In some cases, the answer is a resounding "NO"!

A 'How To' Report

December 2007

If you're giving gift cards this Christmas, read on. If not, well, this article isn't for you.



Gift cards have become HUGE. Retailers of all stripes love them, and why not? These babies make a ton of money for them. Don't get me wrong, gift cards have many up

pluses. I'll get that in a minute, but being a Frugal Yankee, we don't want you spending any more money than you have to, but first a few facts

Last year, Americans spent over \$80 billion on these ubiquitous pieces of plastic. This year that number is expected to grow. Of last year's number, 10% or \$8 billion went unused. One survey estimated there are 2 unused gift cards in every house in America. It is also estimated that over 23 million cards are unused. All of this is pure, unadulterated profit.

Check this out. Do you know what the industry calls this cash windfall - breakage. Breakage!? What's breaking? Plastic doesn't break. I guess using the name 'breakage' is better than calling it what it really is, "my big fat cash cow."

Here's another reason why retailers love these babies. When a customer gets a gift card, they usually spend even more. For example, let's say you were given a \$50.00

gift card. You go to the store and buy a \$70.00 item. So the card spurs sales higher. On the flip side, other folks will buy a \$44.00 item with that same \$50 gift card and the remainder collects dust in a drawer someplace. Heck, that's more pure profit.

Let's remember, when there is money to be had, there are some very bad deals out there. The savvy and vigilant Frugal Yankee has a few pointers. First, always read the fine print. Some gift cards have expiration dates. Expiration dates on what is essentially cash? Go figure.

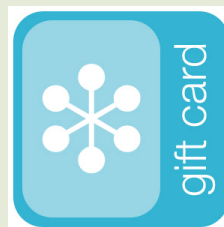
Be careful, some gift cards have maintenance fees. These fees are often from a bank or credit card company. A rule of thumb is to avoid either one when it comes to gift cards,

They don't care about you, the customer, unless your money is heading their way.

Some other tricks these greedy dogs try are activation fees, shipping fees and restrictions on when and how you can use them. Like I said, be sure to read the fine print.

Of late, some states have made it more difficult for these practices to happen, but state-to-state differences are enormous. My advice is don't count on the state to help you, be proactive.

One last warning, don't buy gift cards off of Ebay or any other auction site. Many of them are scams or, the sellers are fronts for stolen cards. Use legitimate, local businesses to buy your cards.



Over \$8 billion dollars of gift card money was unspent in 2006, and the estimates are larger for 2007!

23.3 million Americans have at least one unspent gift card in their house!

With all that being said, gift cards can be a smart present. They're great if you know the person and know a store they really like. They are good for teenagers who, as most of us know, are difficult to please. I think they are also a good gift for a young couple. Getting them a gift where they can buy something they would not normally be able to afford, is an excellent idea.

Gift cards are a good last second purchase. You can do it on-line. They will be shipped for you, nice and easy. Remember, gift cards work best at specific stores, usually local, for specific reasons and be sure to read the fine print. That being said, "Enjoy life, spend less!"

You can find our more about Gift Cards at FrugalYankee.com.

or be extremely careful. These guys are sneaky and looking to pad a profit center.