

Research in Brief



COMMUNITY DEVELOPMENT STUDIES & EDUCATION

Summary — Millennials with Money: A New Look at Who Uses GPR Prepaid Cards*

General-purpose reloadable (GPR) prepaid cards have long been associated with unbanked and low-income individuals. A discussion paper from the Federal Reserve Bank of Philadelphia broadens the perception of GPR cardholders by studying the current adoption and usage rates of GPR prepaid cards.

BACKGROUND

A GPR prepaid card is a payment option that can often be used instead of more traditional debit or credit cards for financial transactions. GPR card users can deposit money onto the card and use the card to pay bills and make ATM withdrawals. The difference between a GPR card and a debit card is that a GPR card does not link to a personal checking account.

Because GPR cards can be used for electronic distribution of funds, the U.S. Treasury Department and some employers use these cards to transfer benefits and earnings to unbanked individuals. Despite their early use as a product for lower-income and unbanked consumers, however, GPR products are now gaining broader appeal and uptake.

The discussion paper that is summarized in this brief identifies the characteristics of GPR cardholders and describes how continual uptake could affect the card's development in the marketplace.

DATA AND METHODOLOGY

The authors used self-reported data from the Consumer Payments Monitor, an omnibus survey administered online by a

top 40 market research firm. The survey is conducted annually, and the results are weighted to be nationally representative. The survey information used in the study includes transaction costs associated with the use of GPR cards, usage behavior, ownership of banking products and usage of other financial services, and the consumer's self-reported creditworthiness.

Although the survey is administered annually, questions about the ownership and use of GPR cards did not appear until 2012. The study summarized here focuses on 2013 survey results and how these results differ from the 2012 findings. An important component of the study was identifying GPR cardholders according to generational groups, because preferences for using a particular payment option may depend on the product's availability at the time a generation comes of age.

RESULTS

The authors of the study analyzed the ownership and use of GPR prepaid cards bearing the logos of the general-purpose payment card networks (American Express, Discover, MasterCard, and Visa) and found that:

- The increase in the ownership rate of GPR cards between 2012 and 2013 was statistically significant, rising from 21 percent to 25 percent.
- Although the ownership rate increased fastest among individuals in households with incomes of more than \$50,000, adoption remained the highest for households making less than \$25,000.

* The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

- Age is directly linked to ownership of GPR cards, with the highest ownership rates among Millennials and Generation X respondents and the lowest occurring among Baby Boomers and the Greatest Generation.
- Regardless of a person's age and income, the average monthly fees ranged between \$5 and \$6 for the two-thirds of GPR owners who reported any fees. There were no discernible differences in the likelihood of paying reload or activation fees from 2012 to 2013; however, there was a twofold increase in the number of cardholders who paid a money transfer fee from 2012 to 2013. (It is uncertain whether this fee was charged by the GPR card issuer or the money transfer service.)
- Self-reported information from GPR cardholders revealed that many do not operate outside the traditional banking system. While consumers classified as underbanked were much more likely to own a GPR card than those who were not, the vast majority of GPR card owners reported having a checking account (90 percent) and a debit card (85 percent), suggesting that the use of nonbanking prod-

ucts was one of choice rather than necessity.

- A majority of users reported that GPR cards have helped them improve their money management behavior and avoid overdraft fees.

ADDITIONAL RESEARCH

The analysis questions the perception of GPR prepaid card users. Although the initial use of GPR cards was to distribute benefits to unbanked, lower-income individuals, the research found that new users of GPR cards included young, fully banked individuals with above-average incomes. The increased adoption of GPR cards among Millennials with higher incomes could have a direct effect on how GPR cards are viewed and used in the marketplace. The research described here hints at the need for additional research into how GPR prepaid cards help cardholders with money management, how costs compare with traditional accounts, and how banked consumers choose among the payment options at their disposal.

BEYOND THE BRIEF

Prepared by Naakorkoi Pappoe, Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia. For more information, contact Susan Herbst-Murphy at susan.herbst-murphy@phil.frb.org or Greg Weed at greg.weed@phoenixmi.com. Herbst-Murphy, Susan, and Greg Weed, "Millennials with Money: A New Look at Who Uses GPR Prepaid Cards." Federal Reserve Bank of Philadelphia Discussion Paper 14-03; www.philadelphiafed.org/consumer-credit-and-payments/payment-cards-center/publications/discussion-papers/2014/D-2014-Millennials.pdf.



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