



## Our Top Picks for Prepaid Cards in Canada

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- [Top picks for credit cards](#)
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## The Motley Fool Canada's top prepaid card picks at a glance:

### Credit card

### Rewards

[KOHO Premium Prepaid Visa](#)

- 2% cash back on groceries, restaurants, and transportation
- 0.5% cash back on everything else
- Up to 5% cash back at certain brand partners

[KOHO Prepaid Visa](#)

- 0.5% cash back on all purchases
- Up to 5% cash back at certain brand partners

[CIBC AC Conversion Prepaid Visa Card](#)

- 1% cash back on all spend (through April 30, 2022)

## Credit card

## Rewards

### [MogoCard Prepaid Card](#)

- 50 “green” Satoshis (bits of Bitcoin) per card transaction (roughly \$0.04)

### [Stack Prepaid Card](#)

- Cash back and discounts available from select partner brands

## Our top pick: KOHO Premium Prepaid Card



KOHO provides a customizable platform that can make this card everything from a [credit-building tool](#) to a cash-back earning machine. KOHO's Premium version earns our top spot for prepaid cards thanks in large part to the 2% cash back offered across grocery, restaurant, and travel spending. On top of that, users earn 0.5% across all other spending. Yes, the card does carry a fee (\$84/year), but it's not terribly hard to turn those cash-back rates into earnings that go well beyond the fee. There's a

lot more to the KOHO card than just the cash back rates, perhaps most notably the 1.2% interest rate that users can earn across both their saving and spending accounts. That's a rate you'll have a tough time finding at banks or on other savings platforms. And for those ready to travel abroad again, KOHO's Premium version charges no foreign transaction fees — something very hard to find in a prepaid card or credit card in Canada.

[See this offer on KOHO's website](#)

## Runner-up: KOHO Prepaid Card



If we love the KOHO Premium card, we get close to that feeling with KOHO's standard version. KOHO's standard card lacks the lucrative 2% cash back on certain categories of spending, but does offer 0.5% cash back across all spending. Beyond the cashback though, many of the other perks are available on KOHO's standard card, including the 1.2% interest rate on saving and spending accounts. You won't get the 0% foreign transaction fee, but the fee here is just 1.5%, a 1% reduction from the more typical 2.5%.

[See this offer on KOHO's website](#)

## Also consider: CIBC AC Conversion Prepaid Visa Card

CIBC   AIR CANADA



AC conversion™



4511 3345 4523 3123

GOOD THRU LAST DAY OF /  
JUSQU'AU DERNIER JOUR DE 00/00

G RAYMOND

VISA  
Platinum

Outside of the KOHO world, CIBC's AC Conversion card can be a great option — particularly between now and April 30, 2022. The reason: Until that date, users of the AC Conversion card get 1% cash back on all spend. And that's not even the core feature of the card. What makes this card shine is the fact that it charges no foreign transaction fees for purchases in the supported currencies and allows users to load up to 10 currencies (including CAD, USD, GBP, and EUR) onto the card for easy

spending abroad. There's no fee to order the card and no fee to load it up either. Do note that you'll be required to load at least one other currency besides CAD when purchasing the card. And if you want to add to your earnings from this card a bit more, there's even a referral program that gives both you and a friend \$10 for referring them.

[See this offer on CIBC's website](#)

## All of our top prepaid card picks:

KOHO Premium Prepaid Visa

## Top overall prepaid card



Our Rating:

Star   Star   Star   Star   Star

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5.0 stars

[Open Account](#)

On KOHO's secure website.

#### Top Perks

- 1.2% interest on both spending and savings accounts
- No foreign transaction fees
- One free international ATM withdrawal per month

[Open Account](#)

On KOHO's secure website.

**Cash back**

- 2% cash back on groceries, restaurants, and transportation
- 0.5% cash back on everything else
- Up to 5% cash back at certain brand partners

**Welcome bonus**

None

**Annual fee:**

\$84

**Eligibility:**

N/A (Prepaid card, no qualifications)

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**KOHO Prepaid Visa**

**Runner-up prepaid card**



### Our Rating:

Star      Star      Star      Star      Star

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5.0 stars

## Open Account

On KOHO's secure website.

## Top Perks

- 1.2% interest on both spending and savings accounts
- Use the KOHO app to get budget insights & automate savings
- Increase savings with RoundUp feature

## Open Account

On KOHO's secure website.

**Cash back**

- 0.5% cash back on all purchases
- Up to 5% cash back at certain brand partners

**Welcome bonus**

None

**Annual fee:**

\$0

**Eligibility:**

N/A (Prepaid card, no qualifications)

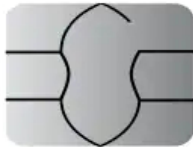
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**CIBC AC Conversion Prepaid Visa Card**

**Top prepaid card for travel**



AIR CANADA



AC conversion<sup>TM/MC</sup>



4511 3345 4523 3123

GOOD THRU LAST DAY OF /  
JUSQU'AU DERNIER JOUR DE 00/00

G RAYMOND

**VISA**<sup>\*</sup>  
Platinum

Our Rating:

Star Star Star Star Star

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5.0 stars

[Open Account](#)

On CIBC's secure website.

#### Top Perks

- No fees for ordering or loading the card
- No foreign transaction fee on supported currencies
- Ability to hold up to 10 currencies on the card (including CAD, USD, EUR and GBP)

[Open Account](#)



On CIBC's secure website.

**Cash back**

- 1% cash back on all spend (through April 30, 2022)

**Welcome bonus**

None

**Annual fee:**

\$0

**Eligibility:**

N/A (Prepaid card, no qualifications)

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**MogoCard Prepaid Card**

**Top prepaid card for environmental impact**



Our Rating:

Star   Star   Star   Star   Empty Star

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4.5 stars

#### Top Perks

- 1 tree planted with every transaction (10 / month offsets the average Canadian's CO2 footprint)
- Track and control spending (MogoCard users report saving \$201 per month)
- Free monthly credit scores and identity fraud protection

**Cash back**

- 50 “green” Satoshis (bits of Bitcoin) per card transaction (roughly \$0.04)

**Welcome bonus**

None

**Annual fee:**

\$0

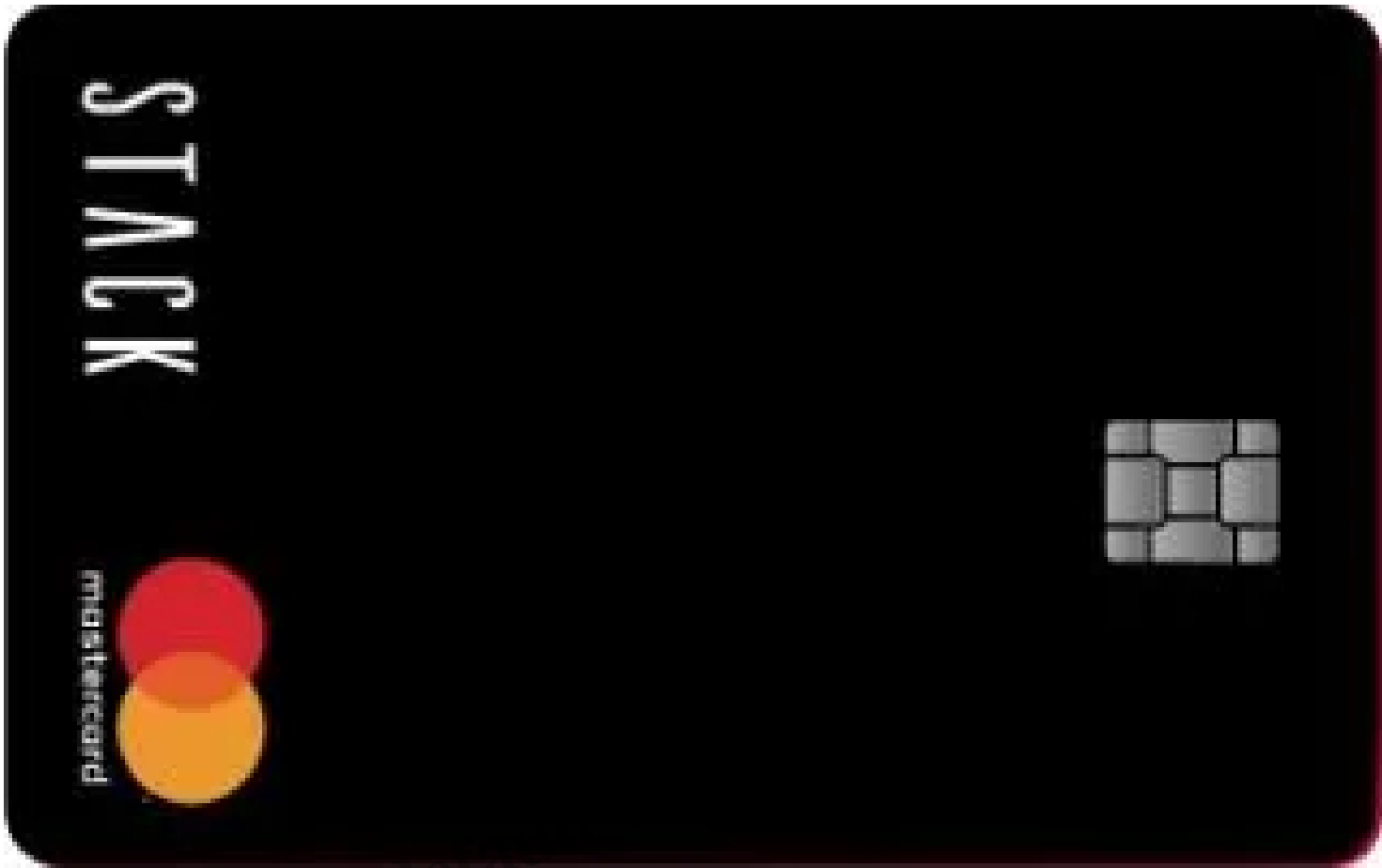
**Eligibility:**

N/A (Prepaid card, no qualifications)

**Stack Prepaid Card**

**Great no-fee prepaid card for travel**

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### Our Rating:

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4.5 stars

### Top Perks

- No foreign transaction fees
- No ATM withdrawal fees
- Cash back and discounts via select partner brands

## Cash back

- Cash back and discounts available from select partner brands

Welcome bonus

Annual fee:

\$0

Eligibility:

N/A (Prepaid card, no qualifications)

## What is a prepaid card?

A prepaid card is a self-funded payment card that you can use to make cashless transactions. Prepaid cards are typically issued by retailers, banks, or payment networks ([Visa](#), [Mastercard](#), or American Express), and they can be used wherever those networks are accepted.

Unlike debit cards, prepaid cards aren't connected to a bank account but rather to the funds that you load directly to the card.

## How does a prepaid card work?

On one level, prepaid cards work similarly to debit cards. Every time you make a purchase, your card's issuer will withdraw the amount from your [balance](#). When your card runs out of funds, you'll no longer be able to use it, at least not until you load it with more money.

Unlike debit cards, however, you must continuously load your prepaid card with funds, either through direct deposit or manually online. Once the card has money, you can use it wherever the card's payment processor is accepted (usually Visa, MasterCard, or American Express).

## How do prepaid cards affect your credit score?

The short answer: they don't.

To understand why, recall how [credit bureaus](#) calculate credit scores. They take information from your creditors and lenders — such as your payment history, credit utilization, and credit inquiries — and package it into a three-digit number. The more you borrow money and pay it back in full and on time, the higher your score.

But prepaid cards don't involve borrowing money. Unlike credit cards, they're not connected to a line of credit. They're self-managed, meaning you're in charge of managing the money that you load to the

card. The issuer of the prepaid card, whether it's a retailer or a payment network, won't report your spending habits to credit bureaus. So, no matter how responsible you are with the prepaid card, it won't show up on your credit report.

## How much do prepaid cards cost?

One of the more controversial aspects to prepaid cards are the myriad little fees associated with them. No matter which prepaid card you choose, you'll likely pay some kind of fee, whether it's a monthly maintenance fee or a fee to reload the card.

Here are just some of the most common fees you might find on your prepaid card.

- Account closure fees
- Activation fees
- Annual fees
- ATM withdrawals and balance inquiries fees
- Cash reloads fees (sometimes waived if opt out of instant processing)
- Declined transactions fees
- Inactivity fees
- Maintenance fees
- Purchase transactions fees

Again, not every prepaid card will come with all of these fees. Some, for instance, don't charge monthly maintenance fees or annual fees but may charge small fees for loading your card with cash. Others will charge monthly fees, but they'll waive the other small fees, such as account closure and inactivity.

As you're shopping for your prepaid card, be sure to pay close attention to the fees, as some cards will be cheaper than others.

## What are the benefits of prepaid cards?

Prepaid cards are a simple way to make cashless transactions. For Canadians who don't want to deal with banks and credit card companies, they can help you order products online or in-store without worrying about overdraft fees and credit card interest. In addition, here are some benefits you'll enjoy with a prepaid card.

### Easy to get

To get a prepaid card, you typically just need to register in store or online. You don't have to provide financial information, as you would with a debit or credit card, and your prepaid card issuer won't check your [credit score](#).

### Budgeting help

Prepaid cards have one immense advantage over debit and credit cards: they can help you build your budget into the card. Whereas credit cards come with the ability to overspend, prepaid cards have

guardrails: you can only spend what you load onto the card. This can help you control your spending as well as avoid [credit card interest](#).

## **No bank account required**

Don't want to deal with banks? Well, with a prepaid card, you don't have to. Your card is basically self-managed, meaning you're the account owner, manager, and its bank. While your card will typically be connected to a payment network, such as Visa or Mastercard, you won't have to open a bank account to use the card.

## **Earn rewards or cash back**

In the early days of prepaid cards, the card was essentially plastic cash with no rewards or built-in benefits. These days, however, prepaid cards have evolved, and you can find prepaid cards with earn rates and sometimes even welcome bonuses.

## **Give money to kids**

Finally, you can use prepaid cards as a way to give your children allowance money, or to teach them personal finances at a young age. With a prepaid card, your kids can spend money without cash, and they could learn how to [budget](#), as the card forces them to be more self-conscious of how much they spend.

## **What are the drawbacks?**

Prepaid cards can help you budget and avoid credit card debt. But they do come with some drawbacks that you should be aware of. Here are the most common downsides to using prepaid cards as your primary means of spending money.

### **Fees**

Perhaps the biggest drawback to prepaid cards are the fees. Though every card comes with a different fee structure, you'll most likely pay something to use the card, whether a monthly maintenance fee or a cash-reloading fee. These fees are typically small. But the more you use the card, the more these fees add up.

### **Money usually won't earn interest**

When you open a chequing or savings account, your bank or financial institution will give you an interest rate by which your money will grow. These interest rates are usually low. But they can help (however meagrely) prevent your money from losing its purchasing power due to inflation.

Money loaded to a prepaid card, however, usually won't earn interest. It will sit on the card, waiting for you to spend it. Again, you won't get rich from a bank's interest rates. But you also won't enjoy that extra bump when you let your money sit on a prepaid card.

Note that this isn't true of all prepaid cards, so be on the lookout for those that do offer interest on the money held on the card!

## No ability to build a credit score

Prepaid cards aren't linked to a line of credit, so they won't help you build a credit score.

That said, increasingly, prepaid cards are just part of a broader fintech offering. And some of these fintechs have different add-ons to the basic card that add superpowers to it. In some cases, that includes a credit-builder option that will allow you to use the prepaid card to help build credit.

## Limited insurance

Many credit cards in Canada come with valuable types of insurance, such as travel insurance, rental car coverage, price protection, extended warranties, and even mobile phone protection. Prepaid cards, however, typically don't come with these insurances built into them.

Additionally, your prepaid card may have limited fraud protection. If your card is lost or stolen, for instance, you may not get reimbursed for "unauthorized transactions" that drain your card of its funds.

## Modest rewards programs

While some prepaid cards will offer cash back for everyday purchases, many do not. Even those that do typically offer earn rates that pale in comparison to [Canada's top credit cards](#).

That said, there is one way prepaid cards could help you earn rewards and cash back, though you'll need to use a credit card to earn them. Many of the [top cash-back](#) and [rewards cards in Canada](#) offer a higher earn rate for money spent at grocery stores. It just so happens that grocery stores sell prepaid cards. If your card offers a higher earn rate at grocery stores but a meagre rate at retailers, restaurants, and gas stations, you could buy prepaid cards at a grocery store and earn the higher rate.

## Is a prepaid card the same as a secured credit card?

No. Prepaid cards are very different from secured credit cards.

The biggest difference between the two is that a secured credit card is, well, a [credit card](#), whereas a prepaid card isn't. Secured credit cards are designed for those who have low or no credit scores, as they require an initial deposit (usually equal to the card's credit limits) before you can use it. The advantage of secured cards is that you can build your credit score with good crediting activities, helping you build up to more lucrative cards.

A prepaid card, as we've discussed above, isn't linked to a line of credit. You're not borrowing money with a prepaid card. You're simply spending money in a cashless way. For that reason, prepaid cards won't help you build credit, nor will they allow you to [leverage debt](#) to buy things you otherwise couldn't.

Though, again, some hybrid fintech prepaid cards can be powered up to allow you to use them *similar to*



a secured card and allow you to build or rebuild your credit.

## Is a prepaid card right for you?

Prepaid cards are ideal for Canadians who don't have a bank account (nor want one) or don't want to use a credit card. Because prepaid cards are self-managed, you won't have to worry about working with third parties, nor will you have to worry about overspending: you can only spend as much as you've loaded onto the card.

For that reason, prepaid cards can also be great for Canadians who want more control over their spending. In fact, because prepaid cards give you clear spending limits, they can function like a budget. Once you spend what's on the card, you can't spend anymore. Period.

But prepaid cards aren't right for everyone. If you want to earn rewards or cash back, for instance, or build a credit score, prepaid cards generally won't help you much as much as a credit card. And, though they can help you take control of your spending, you'll likely dish out money on all the little fees that come with them.

If you're getting a prepaid card because your credit score is low, you might be better off with a [secured credit card](#). These credit cards can help you repair your credit score (with responsible borrowing, that is), and after you demonstrate good crediting activities to your card issuer, you may be able to graduate to a better card.

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