

Reward Cards and Estate Law

Loyalty programs, gift cards: Impact on estate planning

By **Sharon Hartung**



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(February 12, 2020, 10:44 AM EST) -- It might seem absurd to begin an estate planning conversation by asking a client about their favourite loyalty, travel reward, or frequent shopper program, but it might be the perfect introductory conversation to the digital asset aspects of the client's estate plan.

According to the CBC, Canadians are hoarding \$16 billion worth of unused loyalty points. If you add in other similar digital assets such as gift cards/certificates and unclaimed balances on utility cards or online apps and accounts, there could be significant financial value that clients have accumulated in transit, stored value-for-convenience, digital wallets, online payment or money transfer accounts. According to a recent Accenture survey, 55 per cent of Canadian shoppers have likely purchased a gift card as a top gift. With the growing proliferation of loyalty/reward programs and gift cards, your client may have amassed more than they realize and probably have wishes and preferences about these aspects of their digital estate.

Where these programs come from

Modern day points programs are considered to have started in the 1980s with many retailers adopting them in the 1990s. The basic design is a reward offer or deal to consumers in exchange for personal information. Program participants provide personal data that is of tremendous value to the provider/vendor or particular industry in terms of customer retention and brand loyalty. With the emergence of the Internet, consumers gained access to intermediary or integrated types of money transfer accounts, digital wallets and programs such as PayPal, WePay, Google Pay and Apple Pay. Gift cards followed a similar pattern with the first ones emerging in the late 1990s.

Tech solutions compound problem

It wasn't long before loyalty programs went digital and extended their value to include other services such as payment methods and cross-vendor collection and reward opportunities. Loyalty/reward programs, with online accounts or mobile apps to track value and engagement at a particular provider or store, are a product of our maturing use of the Internet.

Gift cards started out as physical cards or store credits. Today's e-gift cards are virtual or digital cards. One might send the recipient a gift where the account information of that gift card is stored electronically in an app or online account without any paper involved. Similar to other digital assets, there may no longer be a paper trail, but these accounts are accumulating financial value along with some degree of personal information.

The impact on clients' estates

1. Loyalty/reward programs and gift cards can have some form of exchangeable value — financial or otherwise, and these can add up. In the digital age, they are likely online and may not be easily found by the fiduciary.

2. A client could be participating in numerous programs and have accounts with varying degrees of financial value. The fiduciary will want to close all of these accounts, particularly the accounts that maximize the value of the estate. This not only meets the wishes of the will-maker/testator, but protects privacy and prevents cybercrime or identity theft of the estate. When enrolling in loyalty programs and signing up for online accounts, clients provide a wealth of personal information such as address, birthdate, phone numbers, e-mail address and other bits of personal information, the extent of which depends on the provider.

3. The provider's terms of service will affect what happens on death for loyalty programs as they do for most online accounts. Expect to be surprised. Most vendors and providers reserve the right to change terms and conditions so don't be alarmed when this happens. In addition, there could be associated fees and irksome transaction processes. CTV's Jackie Dunham did a small survey on Canadian loyalty point providers and found that the terms of service regarding transferring accumulated program value upon death ranges from "yes" to "no" depending on the provider. "Yes" for Aeroplan and WestJet; "No" for PC Optimum and Canadian Tire Triangle Rewards.

4. It will be time consuming for the fiduciary (executor, estate trustee) to close all the deceased's online and offline accounts. Although I have yet to find a concrete study on the number of online accounts we typically own, surveys tend to agree that today's client has somewhere between 25 to 100 personal online accounts. And this is growing. It's closer to 200 when you include business accounts. It's not yet a widespread norm for estate planners to consider these new types of assets, but fiduciaries will find there is no easy way to transfer or close accounts without contacting the provider and offering up proof-point documentation that meets the provider's requirements depending on what they are trying to do (e.g., close account, transfer balance).

This is the first of a two-part series.

Sharon Hartung, TEP, is the founder and principal of Your Digital Undertaker and has over 30 years of experience in IT management, project management and consulting. She is the author of the newly published Your Digital Undertaker — Exploring Death in the Digital Age in Canada.

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