

Credit Card Rewards

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When credit cards offer rewards to their cardholders, it is done in connection with the number of purchases the customer makes with the card. Some of the most popular rewards are air miles and discounts off the cost of flights offered by certain airlines, however, the variety of rewards that are available is nearly endless. Loyalty rewards are being offered by some stores and retailers when a card issued in their name is used, and it is possible to earn discounts toward the purchase price of a new car.

As desirable as these cards may seem to be, it is still necessary to question whether or not they are worth it. In an effort to answer this question it is helpful to compare the rate of interest charged on purchases made with cards that offer rewards with those that do not have rewards. The lowest rate of interest on these types of cards is usually about 15% APR even though there are several cards that offer some kind of loyalty bonus or reward. This interest rate is much more than the zero percent interest rate on the introductory offers of many other credit cards and about 7-8% more than the interest rate of a basic low-interest credit card. When you examine the whole assortment of credit cards that offer rewards you will find that the interest rates on some will be well over 30% APR.

If you are a regular credit card user who wants to earn sufficient points for worthwhile rewards and have to pay interest at these sort of rates, then it would certainly be worth giving serious consideration toward choosing a much lower-interest credit card which does not offer rewards. If you pay off the whole balance on your credit card before payment is due, and so you really never have to pay interest, the rewards for using the card are actually free. It takes a great deal of discipline to pay off the balance on your credit card each month and if you do not know if you can do this it may be better for you to choose to use a cash back credit card. Similar in principle concept to the reward credit card, a cash-back card pays back, in cash, a preset percentage of whatever has been spent on the card each month.

Since the best current cash back rate is in the area which runs about 5% and the spending you do on the card attracts around 19% APR in interest, you will unfortunately end up paying quite a lot for the use of the card. You will be able to retrieve for your own pocket the 5% cash back on this card when you pay your total balance each month and avoid the interest charges.

It can certainly be worthwhile to you if you use the cash back credit cards and those that offer rewards if you keep paying your monthly outstanding balances consistently and avoid the interest that will be charged. Your personal financial picture may be given a brighter focus when you are using these cards that offer rewards and cash back.

Alisdair Cosgrove is a freelance writer specializing in personal finance. You can read more of his work at www.JSNet.org for credit card comparisons including cash back credit cards and also offers a comprehensive list of gas credit cards. You can read more about credit cards from his on site article, 'finding the right credit card'.

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