

# The Best Rewards Cards

If you like the idea of earning a little something extra each time you pull out your plastic, have we got a credit card for you



**W**ith the economy in free fall you may think you're better off cutting up your credit cards. But here's another idea: When you do use a credit card, try to get the most out of it. That means using cards that reward you, whether with airline miles, or retailer gift cards or cash back. "If you pay your credit card bill in full each month, you definitely should use a rewards card," says Marcia Brixey, author of *The Money Therapist: A Woman's Guide to Creating a Healthy Financial Life*. One caveat: Don't get a rewards card if you carry a balance or are in debt. These cards tend to have higher interest rates than other cards, which can negate the value of rewards. We've pulled together a primer of cards—and how to use them wisely.

**1 Get Cash Back**  
**HOW IT WORKS** After you reach a minimum spending threshold, which can range from \$5 to \$2,500, cash-back cards let you earn back money—sometimes 2 percent on groceries and gasoline and 1 percent on other purchases. Some cards automatically issue a credit in the amount you've earned to your statement, some mail you a check;

others let you decide how you want to redeem the award.

**BEST FOR** anybody who doesn't carry a balance, but get a card that fits your spending habits. Blue Cash from American Express may be ideal for folks who charge at least \$2,000 a month—which might not be a big stretch if you can use the card to pay household expenses, such as rent, utilities, gym memberships and cable. Blue Cash gives 1 percent back on

everyday purchases (grocery, gas and drugstore) and 5 percent on other purchases for the first \$6,500 that you put on the card annually. Once you hit \$6,500 the percentages jump to 5 for everyday purchases and 1.5 for everything else for the rest of the year. If you charge less than \$2,000 a month, the non-tiered Chase Freedom Card may be a better bet since it offers 1 percent back on all your purchases and 3 percent back on gas and groceries (or a \$50 gift card after the first use). And the card automatically applies your cash rewards to your next statement.

**FINE PRINT** Make sure there's no annual fee; no cap on spending or rebates; no expiration on cash rewards. When you use Blue Cash, you accrue the rewards during the year—but if you're more than 90 days late on a payment you lose all your cash back!

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## 2

**Get Free Stuff****HOW IT WORKS**

Rewards cards give points for each purchase, redeemable for everything from digital cameras and golf clubs to gift cards for national retailers. Although the standard award is one point for every \$1 spent, the Citi Diamond Preferred Rewards Card gives five points for every \$1 spent at the supermarket, drugstore and gas station during the year. Some rewards cards, such as the Wells Fargo Visa Signature, let you redeem points you accrue for merchandise, or for cash rebates.

**BEST FOR** people who want a tangible reward for charging purchases. But crunch the numbers to determine whether the merchandise reward is a good deal compared to a gift card or cash back. "If you take cash back, each rewards point has a value of one penny—for a \$100 rebate or a \$100 gift card at 10,000 points," says Ben



Woolsey, director of marketing and consumer research for Creditcards.com. "Yet if you redeem the points for merchandise, each rewards point is worth only a half cent." Be aware, also, that the point prices assigned to the products may have no bearing as to what they actually cost in the store.

**FINE PRINT** Pay close attention to spending caps, redemption fees and expiration dates.

## 3

**Boost College Savings****HOW IT WORKS**

Save for your child's future education by shopping with BabyMint Platinum Visa. You can direct cash rebates into almost any state-sponsored 529 college savings plan, where money grows tax-deferred. Earn 1 percent back on every \$1 spent but up to 30 percent back on qualifying purchases from BabyMint's retail partners, including grocery stores, pharmacies and online retailers. (For a complete list of merchants, go to Babymint.com.)

**BEST FOR** families who have young children. "With the benefit of time, it can be a nice supplement to your ongoing 529 investments," says Curtis Arnold, founder of the online business Cardratings.com.

**FINE PRINT** Not all 529 savings plans participate so make sure to look into it before you sign on.

## Reap The Rewards

These little luxuries are easy to earn because they don't require that you amass a gazillion miles or points.

**IF YOU LIKE...  
DOGS**

**The Card** PetSmart PetPerks Visa

**The Deal** Three rewards points per \$1 spent at participating pet retailers; one point per \$1 spent elsewhere; coupons and \$20 gift card with first purchase. Points can be redeemed for cash or donations to pet charities.

**IF YOU LIKE...  
MUSIC**

**The Card** Juniper Visa with iTunes Rewards

**The Deal** Two points per \$1 spent at any Apple Store (retail, online or by phone) and one point per \$1 spent everywhere else. Reach 2,500 points and you automatically get a \$25 iTunes gift card.

**IF YOU LIKE...  
BOOKS**

**The Card** Barclays Bank Delaware Barnes & Noble MasterCard

**The Deal** Five percent back on all Barnes & Noble purchases, and one reward point for every dollar spent outside the store. Hit 2,500 points and get a \$25 Barnes & Noble gift card.

**IF YOU LIKE...  
CLOTHES**

**The Card** Any of the cards in the Citi ThankYou network

**The Deal** One point for every \$1 spent (up to 100,000/calendar year). Get 10,000 bonus points after \$250 in purchases—good for a \$100 gift card at various retail stores.

**IF YOU LIKE...  
DISNEY**

**The Card** Chase Disney Rewards Visa

**The Deal** One "Disney Dream Rewards Dollar" per every \$100 you spend. Redeem rewards for all things Disney—from toys and DVDs to clothes, theme-park tickets, hotel stays and cruises.

## 4

**Make A Difference****HOW IT WORKS**

Affinity cards donate a percentage of all charges to a charity, university or nonprofit. Contributions aren't much—25 to 50 cents for every \$100 spent—but cards benefiting the World Wildlife Fund and Assemblies of God World Missions give 1 percent.

**BEST FOR** people with a cause. There are many affinity card options.

For instance, Chase offers cards that support the American Kennel Club and Special Olympics; Bank of America issues cards benefiting Habitat for Humanity, the American Diabetes Association and certain colleges; and the Working Assets Visa Signature card donates money to 50 progressive groups, including Doctors Without Borders, Amnesty International and Greenpeace.

**FINE PRINT** You can't take a tax deduction for charitable donations made via a credit card.

## 5

**Travel For Free****HOW IT WORKS**

Airline credit cards award miles—typically one mile per \$1 spent—that you can redeem for airfare and other travel expenses, including hotel stays and car rentals. If you get a branded airline card (Citi Gold/AAdvantage World MasterCard is affiliated with American Airlines) and belong to the airline's frequent-flier program, you can combine the miles you earn from charging purchases with the miles you accrue from flying on American. A generic airline card (Capital One No Hassle Miles Rewards) lets you use the miles on any major airline, but you can't link them to a frequent-flier program. You can also redeem your miles for cash, merchandise, gift cards and charitable donations.

**BEST FOR** travel lovers. If you're a business traveler who racks up frequent-flier miles, choose a card that's affiliated with your favorite airline. Otherwise, pick a bank-issued airline card that offers the most flexibility.

**FINE PRINT** No annual fee for most generic cards, but \$50 to \$100 per year for branded airline cards. "Do the math to make sure that the travel rewards you'll earn more than justify the fee," says Gerri Detweiler, a credit adviser for the Web site Credit.com. If you're barely getting one free flight a year out of the program, it might be a waste to get a card with a high fee. Also, check for ticket-redemption fees, blackout dates, limited seat selection, mileage caps and expiration dates, all of which are enforced more stringently now that airlines have fallen into financial trouble. "Frequent-flier awards seats sell out quickly and are hard to come by," says Tim Winship, publisher of Frequentflier.com.

**CARD SHOPPING**

With dozens of rewards cards available, how do you know which one is the best deal? Evaluate your options based on your lifestyle and spending habits. "Terms and fees vary widely, so if you don't charge very much, you may not earn enough rewards points to justify having a card with a steep annual fee," says Credit.com's Gerri Detweiler. "Shop around for the card that lets you maximize rewards."

Get the latest info on credit card offers in each of the rewards categories, plus all the terms and qualification requirements at Web sites such as Creditcards.com and Cardratings.com; the sites rate rewards programs and provide links to apply online. If you pick a card that's free for the first year, make sure it's one you plan to stick with for a while. "It may take you longer to earn the rewards than you'd like," Detweiler cautions, "and when it comes to your credit rating, it's not good to hop from card to card."