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# I. INTRODUCTION TO REWARDS CARDS

We all know how important it is to take care of your financial health. Many of us work extremely hard to keep our credit in good standing and avoid pitfalls that can easily land us in debt. That hard work does not go unnoticed. Most credit card companies offer incentive programs that reward good financial behavior through various rewards cards and programs.

If you are an adult with good to excellent credit, there are a multitude of rewards cards available for you. However, it is important to know what you spend the most money on so you can choose a card that will reward you for making those purchases.

With so many options and offers, the task of choosing the right rewards card can be incredibly overwhelming. Understanding the different types of rewards cards and the benefits that each provides will help you choose the right card that will not only meet your needs, but also earn the most rewards.

In this eBook you will find everything you need to help you understand how rewards programs work, how to choose the right rewards program, and how to get the most out of the benefits offered.



## What is a Rewards Card?

A rewards card offers rewards in exchange for using the credit card. These rewards come in the form of either cash back, points that can be redeemed for airline or travel miles, or rewards that can be redeemed for other goods and services. Some cards offer one specific kind of reward, while others offer a variety of rewards throughout the year.

### CASH BACK OR FIXED VALUE CARDS

Fixed value or cash back credit cards offer consumers money back for making purchases with the credit card. Traditionally these cards will either give a percentage of the amount spent back to the cardholder or will award one point (some cards offer 2 points) for each dollar spent. If the card offers points, they can be converted into cash or discounts. Meaning that if your card offers one point per dollar spent, and you spend \$100, you will receive 100 points. If each point is worth one cent, that converts to a redeemable value of \$1. These points can then be used toward free flights, hotel rooms, rental cars, redeemed as a statement credit, or redeemed for other goods and services.



### CO-BRANDED CREDIT CARDS

A co-branded credit card is offered by a credit card company that is sponsored by both a bank and a retail merchant, such as a hotel or airline company. Cardholders can earn points for loyalty programs offered by the retail merchant. These cards include a variety of perks and incentives such as discounts or rebates of various types, elite status, free checked bags and priority boarding, etc. One thing to keep in mind, however, is that when you redeem points through loyalty programs, they are subject to award availability.



### TRANSFERRABLE POINTS PROGRAMS

A credit card with a transferrable points program allows cardholders to transfer points to various airline and hotel loyalty programs or redeem points directly for cash, flights, hotel rooms, rental cars, or other redemptions. Most of these cards charge annual fees so it is important to make sure the value of the points you earn outweighs the annual fee. The following are popular transferable rewards programs:

- [Amex Membership Rewards](#)
- [Chase Ultimate Rewards](#)
- [Citi ThankYou Points](#)
- [SPG Loyalty Program](#)



### Who is Eligible?

If you are an adult with good to excellent credit established, meaning that you typically have an average FICO credit score of 670 or above, there are many rewards cards for which you are eligible. It is important to know where you spend the most money and choose a card that will reward you for making those purchases.

#### GOOD CREDIT

To get approved for a credit card that requires a good FICO score, consumers typically need to:

- be employed (there are a few exceptions to this)
- have no more than one late payment on their credit report
- Have a healthy debt-to-credit ratio (i.e. credit utilization ratio)

A good FICO credit score will range from about **670-739**.

#### ★ EXCELLENT CREDIT ★

To be approved for a credit card that requires an excellent FICO score, consumers typically need to:

- be employed with a high annual income (there are a few exceptions to this)
- have a clean credit report that's void of any derogatory marks
- have minimal debt.

An excellent FICO credit score will range from about **740-850**.

In the next chapter we will review the different types of rewards cards that are available so that you can determine the best credit card offer that fits your needs.

## II. WHAT ARE THE DIFFERENT TYPES OF REWARDS CARDS?



### Cash Back Credit Cards

Cash back credit cards offer consumers money back after making certain purchases with their credit card. It will usually be 1-5% of the purchase price, and can be used on new purchases once you pay off your balance.

#### DINING CREDIT CARDS

Dining credit cards can help you earn extra rewards when you dine out. Some of the dining credit cards can give you up to 5% rebates or cash back. For those who frequent restaurants, dining may be one of the largest expenses on their credit card bills so these types of offers provide excellent value in rewards.

#### GAS REWARDS CARDS

[Gas rewards cards](#) will give you a certain percentage of money back for purchases you make at participating gas stations. For example, if you have a rewards card that offers 2% cash back on gasoline purchases, you would get \$0.20 back for every \$10 you spend at the gas station. This money will rack up throughout the year, and then you can either redeem it for cash back, as a statement credit, or other goods and services.

#### ENTERTAINMENT

If entertainment is more your speed, there are many cards that offer rewards for using them to purchase tickets for concerts, music festivals, performing arts, entertainment parks, and vacations. The following is a list of credit cards that offer entertainment perks and features:

- **AMERICAN EXPRESS:** American Express is the official card of [Ticketmaster](#) and they even have their own link. AMEX Entertainment Access provides exclusive access to ticket presales and cardmember-only events in certain cities. Qualifying events include Broadway shows, concerts, concert tours, sporting events, and more. Some of their cardmembers also get discounts and pre-sale access. Make sure you sign up for [Entertainment Access E-mails](#) to be one of the first to know about upcoming events. Depending on which credit card you get from American Express, there are a number of additional perks and benefits you could receive:
  - » **Concierge Service:** This is your personal resource to help you find last-minute restaurant reservations or shop for exclusive and rare gifts. There is no charge for this service, but the cardmember is responsible for any shipping or purchased items or fees associated with meetings or event planning.
  - » **Premium Access to Popular Events:** Cardholders gain special access to some of the most sought after events and experiences, like special entry to food festivals and VIP packages at concerts. Only the price of the event is covered, not including tax or gratuity, transportation, or accommodation.



Ever wonder how credit card companies know whether a transaction is made in a restaurant or not? Each credit-card charge from a merchant comes with a 4-digit merchant category code, which is assigned to the business by the credit card companies to classify the business.

- » **Platinum Dining Program:** This program will hold a reservation for you at over 1,000 of the most acclaimed restaurants in the United States and abroad. American Express consultants can review menus, offer advice and more. The cardmember is subject to cancellation fees.
- » **By Invitation-Only Events:** This service offers exclusive access to once-in-a-lifetime experiences related to performing arts, fine dining, sports, and more. These events are generally not available to the general public. Only the price of the event is covered, not including tax or gratuity, transportation, or accommodation.
- » **Preferred Seating Program:** This one is pretty self-explanatory; cardholders get access to choice seats for sports, entertainment and live concert events at leading venues.
- » **Event Ticket Protection Plan:** This provides an additional layer of protection by insuring the expense of a ticket, but only for those charged to the cardholders account. In order to be reimbursed for the ticket, you must not use the ticket due to a covered incident, as detailed by American Express. The maximum coverage limit is \$2,000 per occurrence.

*\* Check the terms and conditions of your credit card or call your credit card company to see what services you are eligible for.*

- **CHASE EXCLUSIVE EXPERIENCES:** Chase Members have access to experiences like VIP access, sporting events, movie premieres, wine tastings, and more. Some unique experiences aren't open to the public and can include red carpet appearances and even the possibility to land a walk-on role on a TV show. Cardholders simply redeem their rewards through [Chase Ultimate Rewards](#) for the experience of their choice.
- **CITI PRIVATE PASS:** Citi offers a program exclusive to their cardholders called the [Citi Private Pass](#), where cardmembers have access to exclusive events and experiences. Cardmembers may also receive offers through mail or with their monthly statements. Some of the events include concerts, theatrical performances, sporting events, festivals, and family events. Some events are even offered to Citi cardholders at no charge, but cardmembers are only allowed one complimentary event every six months. There's no requirement to enroll and there are no fees to access Citi Private Pass.

Some cards offer bonus cash back on entertainment purchases charged to your credit card or discounts on entertainment purchases. The following are credit cards that are currently offering entertainment perks or benefits.

- [CREDIT CARDS THAT OFFER ENTERTAINMENT PERKS](#)
- [ENTERTAINMENT ACCESS WITH AMERICAN EXPRESS](#)
- **OTHER OPTIONS:**

- » **Visa Signature:** Visa Signature cardholders are able to access a range of exclusive benefits including: *Visa Signature Concierge*. This is a service that will do pretty much anything you ask. Cardholders can call the concierge line and request restaurant recommendations, make reservations, plan travel, get directions, or order gifts. Representatives are available 24 hours a day to assist card holders.





**Visa Signature Entertainment.** This program offers discounts to a variety of popular attractions around the world including theme parks and aquariums. In addition, discounts are available for city tours, scenic cruises, and helicopter tours through Cloud9 Living.



**Visa Signature Fine Wine & Food.** Cardholders receive discounts to restaurants and other gourmet food purchases. For example, Visa Signature cardholders are offered complimentary wine tastings throughout wineries within the Sonoma Valley of California. Other benefits include free drinks or appetizers at select fine restaurants.



**Visa Signature Shopping.** The Visa Signature shopping program features benefits and discounts at a wide variety of merchants including 10% off at JC Penny, as well as free shipping from both Macy's and The Home Depot.



**Visa Signature Sports.** Sports fans and participants can receive discounts on different activities from Cloud9 Living including a stock car ride, a balloon ride, or a tandem skydiving experience. In addition, discounts apply to purchases from retailers such as Footlocker.com and Golfballs.com.



**Visa Signature Travel.** Travel benefits include access to the Visa Signature Luxury Hotel Collection. When booking through this service, cardholders are eligible to receive discounted room rates, room upgrades, free breakfast, early check-in and late check-out, dining and spa credits and other perks. Other benefits include discounts on rental cars, airport shuttles, and limousine services.



**Warranty Manager Service.** Do you ever wonder what warranties you have for your various purchases? By registering your purchases with this warranty manager service, cardholders can keep track of all this information and be eligible to receive an additional year of warranty coverage.



**Travel Accident Insurance.** Visa Signature cardholders automatically receive a minimum of \$250,000 of coverage when they charge their travel to their card. Coverage applies to any common carrier transport which includes taxis, busses, and trains, but not aircrafts.



**Lost Luggage Reimbursement.** This policy covers cardholders due to loss or damage by the carrier of up to \$3,000. This insurance only applies after you have received whatever reimbursement you can from the airlines, which may be insufficient to replace your belongings.

» **World MasterCard:** Holders of cards labeled World MasterCard are able to access a range of exclusive benefits including:



**Concierge Service.** This service offers personal assistance for just about any travel or shopping need. For example, they can make dinner reservations, find event tickets, and even arrange for the purchase and delivery of gifts. This service is available over the telephone 24 hours a day, every day of the year.



**Price Protection.** When cardholders find a lower price on an eligible purchase, they will be reimbursed. Just be sure to check your cardholder agreement to learn the limitations of this policy.





**MasterCard Global Service.** Cardholders can receive emergency service anywhere in the world. Using their Global Service Hotline, cardholders can report a card lost or stolen, get emergency card replacement, or receive a cash advance.



**Savings on MasterCard Airport Concierge Services.** Have you or someone you know ever been overwhelmed when trying to navigate a large, international airport? This interesting service offers to meet travelers as they step off of the plane, expedite their journey through customs and immigration, assist with baggage, and help them connect to their next flight or ground transportation. This is a paid service, but World MasterCard holders receive a 15% discount.



**World Travel Experiences & Offers.** Cardholders who book their travel through a MasterCard travel advisor will receive a range of benefits when they stay at a featured hotel or resort. These amenities can include early check-in, late checkouts, room upgrades, and free breakfasts. In addition, cardholders receive special offers for discounts on lodging, cruises, and tours.



**MasterCard Priceless Cities.** This program offers a range of discounts and access to exclusive opportunities at select cities around the world. Featured offers include dining, sports, travel, arts, and shopping. In the United States, cities include New York, Los Angeles, Chicago, and Miami.

» **World Elite MasterCard:** In addition to the perks offered to World MasterCard holders, those who have a World Elite MasterCard are offered some additional benefits including:



**Extended Warranty Coverage.** Cardholders have their original manufacturer's warranty extended for an additional year on qualifying purchases.



**World Elite Air Program.** Cardholders receive benefits with several different travel providers. For example, Aer Lingus, Austrian, Etihad, LAN, Swiss, and Lufthansa will upgrade travelers to business class when they purchase a full fare economy ticket, or offer discounts of 20% – 30% off of the purchase of business class flights.



**World Elite Cruise Program.** When booking a cruise, cardholders can receive hundreds of dollars worth of shipboard credits.



**World Elite Tours & Vacations Program.** Cardholders can receive significant savings and credits when booking tours and vacations around the world.



**World Elite Car Rental Program.** This program offers discounts of 15% – 25% when renting a car with Avis, National, or Sixt rent a car. Card members can also receive elite status with the programs, upon request.



**World Elite Chauffeured Car Service.** This feature offers cardholders savings on limousine services around the world.



**World Elite Private Jet Program.** Looking to go beyond first class airline service? World Elite MasterCard card members receive discounts from select private jet charter operators.

### ROTATING CATEGORIES

Many cash back credit cards offer quarterly bonus rewards. These cards offer 5% cash back rewards on purchases made within certain categories that rotate quarterly (every three months). For example, you may receive 5% cash back on department store purchases one quarter and 5% cash back on grocery purchases in another quarter. Not all quarterly bonus rewards are earned automatically. You may have to enroll via the card issuer’s website or smartphone app to receive rewards in the 5% categories. If you choose not to enroll, purchases in those categories will continue to earn rewards at the regular rate, which is typically 1%.

FOR EXAMPLE:



### EVERYDAY CASH BACK CARDS

Everyday cash back credit cards offer cash back rewards on every day purchases such as gasoline, groceries and department stores. Typically these cards will offer a bonus of 3% or 2% cash back at grocery stores, gas stations and department stores, and 1% cash back on all other purchases. These cards are ideal for those who don’t want the hassle of managing quarterly rotating categories.



## Air Miles and Travel Rewards Cards

Air miles rewards cards are usually tracked as points that you can cash in for future travel purchases, or redeem them for past travel purchases made with the card. Each ticket will hold a certain point value (usually in the hundreds) that requires thousands of points in order to redeem, so you need to rack up a significant number of points or miles, to get a free plane ticket. Also be sure to keep your preferred airline in mind. Some cards are only for specific airline purchases, while general travel rewards cards will allow you to fly with any airline, and may even be teamed up with an online travel agency.

Rewards cards that feature travel rewards are similar to air miles, but they cover hotel fees, cruises, and more. You might be able to use your points on package deals through your credit card company, or you can redeem them for a hotel stay, car rental, airline ticket, cruise, or even a train ticket.

Credit cards often come with travel benefits and features that can make travel more convenient. Some of the more [elite travel cards](#) offer things like private jet access, hotel burglary insurance, free access to golf courses world-wide, and even a private consultant. Below are a few of the travel perks that come with elite travel rewards cards.

### FREE AIRPORT LOUNGE ACCESS

Most cards that offer this service only allow cardholders to access the lounge, once or twice per year, but you can expect to receive complimentary snacks, Wi-Fi, couches, and other services.

“If you are a frequent traveler, look for an air miles rewards card that has a bonus program that offers double points for purchases, or offers large blocks of points for fulfilling certain requirements.”

### FREE TRIPIT PRO MEMBERSHIP

One of the most interesting travel perks is a free [Triplt Pro](#) membership. This membership normally costs \$49 per year, but comes complimentary with some credit cards. Triplt Pro is a travel service for the digital age, catering to the airline traveler. The service sends helpful information and alerts about travel to your cell phone or computer. Some of the services you can expect with this membership include:

- Real-time flight alerts
- A detailed daily itinerary
- Seat tracking
- Alternative flight search if your current flight is delayed or changed
- Fare monitoring

### TOP OF THE LINE TRAVEL ASSISTANCE FROM AMEX

American Express is the way to go if you want the real white-glove, 5-star treatment. Platinum and Centurion cardmembers have access to [Premium Global Assist](#), which provides a long list of benefits in addition to the standard travel hotline services. With Premium Global Assist, for example, you may be eligible for paid emergency medical evacuation to transport you or a family member to the nearest medical facility in the event of illness or injury while traveling. This won't cover medical care beyond what is performed during the medical evacuation and it won't pay to transport your belongings or luggage – but it can be a nice benefit. The other perks provided under the Premium Global Assist program are numerous and, in some cases, rather luxurious. You'll have to have fabulous credit and fork over hefty annual fees for these cards, but if you travel often and enjoy valuable freebies, this program may be for you.

### ADDITIONAL INSURANCE OPTIONS AND PROTECTIONS

These additional benefits include insurance options and protections that apply to the purchases made with that specific credit card. The most common added benefits are:

- \$0 Fraud Liability
- Extended Warranty Protection
- Purchase Protection
- Auto Rental Insurance
- Roadside Assistance
- Travel Assistance
- Travel Accident Insurance

“

It's important to carry a card that offers zero fraud liability and other protections during travels or in case an emergency arises. ”

It's important to know the difference between each of these benefits and to have a clear understanding of what protections they offer. For example, [\\$0 Fraud Liability and Dispute Resolution](#) may sound similar, but are completely different protection options. The same applies to [Travel Assistance and Travel Accident Insurance](#). Travel Assistance is used for situations where you need assistance with emergency situations such as a lost passport. Travel Accident Insurance is coverage in case you're involved in an accident while traveling.

Keep in mind, however, that these benefits only apply if you charged the purchase to the credit card with these protections. For example, you won't receive protection if you did not book your airline tickets with a credit card that offers Travel Assistance or Lost Luggage Reimbursement.

It's common for credit card companies to offer similar benefits and coverage, however they may have different program titles, causing confusion to consumers. For example, Lost Luggage Reimbursement has also been called Damaged Baggage Protection, Baggage Insurance Plan, Baggage Delay Insurance, or Lost Luggage Tracking. If you don't fully understand your benefits coverage, contact your card issuer to determine how you are protected.



## Points Rewards Cards

Some credit cards allow you to earn points for credit card purchases. These points can then be redeemed for items including merchandise, gift cards, cash back, or more.

Most credit card points are worth about one cent each towards merchandise, gift cards, and cash back. Major loyalty programs that follow this general rule include [Chase Ultimate Rewards](#), [American Express Membership Rewards](#), and [Citi ThankYou Points](#). Furthermore, Chase will allow you to exchange Ultimate Rewards points for one cent each as cash back, and if you redeem for travel, they give you a 25% discount, making them worth 1.25 cents apiece.

But when it comes to airline and hotel programs, all bets are off. Some points can be worth less than one cent each, while others can be worth much more, depending on the program and how you redeem the points.

In some cases, points can be transferred from one program to another, so it helps to know how much each company's points are worth in order to maximize their value. Programs that allow point transfers include American Express Membership Rewards, Chase Ultimate Rewards, and the Starwood Hotels Preferred Guest program.

### HOW DO YOU EARN POINTS?

Credit card holders can earn points from sign up bonuses and regular spending. In addition, bonus points are often available when making purchases through an online shopping portal.

If the points are from a third party program, such as one run by an airline or hotel company, then that company might offer points through dozens of other partners. Points can be earned through airline, hotel, or rental car reservations, dining programs, financial services, or just about any other transaction you can imagine. So it's worth taking a moment to browse your favorite program's web sites and learn how to earn points.

### WHAT'S THE CATCH?

If you can earn points in all sorts of ways, and spend them on all kinds of goods and services, what can go wrong? First, the company that issues the points owns them, not the customer. That means that if you cancel a credit card (or the card issuer cancels your account) you will likely lose any points earned in a program operated by the bank (you will not lose any airline or hotel points).

“

Part of the confusion about points stems from the myriad of ways they can be earned. ”

Additionally, companies can and will change their program terms at any time, and the vast majority of these changes are negative for the customer. For example, some companies may suddenly require more miles for an award than previously established without any advance notice.

Serious collectors of points refer to these changes as program devaluations, as it effectively reduces the value of the points they have already earned, kind of like runaway inflation. But you don't have to employ fancy economic terms to appreciate that companies are just moving the goal posts in the middle of the game – because they can.

Anyone who earns reward points from a credit card, airline, or hotel needs to know the basics about how these programs work. But once you understand what points are worth, and how to earn them, you can make the best decision when it comes to earning credit card rewards.



## Merchant Specific Rewards Programs

There are rewards programs that offer merchant-specific rewards. These programs offer you bonus rewards when you shop with certain merchants, while some also offer discounts on your purchases.

According to the [360 Degrees of Financial Literacy](#) organization,

*Merchant specific rewards programs are marketing tools that encourage brand-loyalty purchases by offering price discounts, bonus points, and/or coupons toward future purchases, donations to your favorite charity, and even cash rebates. The [bank] compiles information about your purchases and the rewards you've earned. It then stores information about you that's useful to the merchant when tailoring advertising that's pitched to your spending preferences.*

*While many rewards programs offer credit with -and rewards from- a particular merchant, other programs offered by credit card issuers may allow you to earn rewards, such as gift certificates, that may be used with a wide variety of merchants. In most cases, these cards offer the option of earning cash back each time you use the card. A cash back reward can be used anytime, anywhere.*

*The rules, restrictions and limitations on what you may earn through a rewards program can vary. Many programs may offer a larger reward for purchasing select products or categories of products than they do for all products. You may have to spend a minimum amount per month, quarter, or year to get any rewards, and there are often limits both on the amount of rewards you can earn and on the time allowed for cashing them in. It is important to check with your card issuer to understand what merchant-specific rewards are offered with your credit card.* ”

In addition to the rewards cards mentioned above, there are special interest credit cards that offer rewards tailored specifically to businesses, the military, and charities, which we will review in the next chapter.

## III. SPECIAL INTEREST CREDIT CARDS

Reward cards can be extremely beneficial to individual credit card holders. However, it is important to understand all of the reward cards available to ensure that you are choosing the right card to fit your needs. For instance, if you run a business, are a current or former military member, or enjoy donating to charitable organizations, there are a number of rewards cards and programs available that may provide more ways to save money and maximize your rewards.



### *Business Credit Cards*

Business credit cards are just like any other credit card, but they are geared more towards large transactions and bulk purchases. If you are a business owner looking for a business credit card, there are several factors you should keep in mind.

#### WHAT TO LOOK FOR IN A BUSINESS CREDIT CARD

You need to make sure that your card matches your business's needs. Consider the following when choosing a business credit card:

- **CARRYING COSTS.** Look into the annual fees and interest rates for all of the cards you want to compare. If one offers more rewards, but comes with a significantly higher annual fee, the costs may not be worth the benefits.
- **REWARDS.** Different credit cards come with different rewards programs. If you fly a lot for work, you may want a card that offers the most airline rewards. If you do most of your work in a truck, you may prefer a gas rewards program. Make sure the rewards match your spending habits so you can actually use them when the time comes.
- **NUMBER OF CARDS.** For the most part, you should be able to get as many credit cards as you need for your employees. Some cards will limit this to a specific number though, so make sure it fits the size of your company.
- **SPENDING LIMITS.** Only you will know how much money you have to spend for your business. If you need a credit card with a \$100,000 limit, you will need to make sure you apply for a credit card that offers a large credit line. If you only need a \$25,000 limit, you'll obviously have more options to choose from. The limit you are given will largely be based on your credit, but some cards will automatically come with higher or lower limits. Choose the one that will accommodate your business spending.



## Military Credit Cards

For individuals who are members of the military –Army, Navy, Air Force, Marine Corps, Coast Guard– there are credit cards available for you. Some are specifically designed for service members, and others simply provide additional benefits to active duty cardholders, like American Express and Chase.

- **AMERICAN EXPRESS:** American Express has a fee waiver option, which limits the interest rate and waives annual fees, over limit fees, late payment fees, and more.
- **MASTERCARD:** Mastercard offers the [USAA Rewards World MasterCard](#), which is a rewards card for the Armed Forces. USAA has a strong presence in the military insurance and banking space. [MasterCard and Chase](#) also offer four rewards credit cards for each branch of the military that support relevant programs and services. Some of their benefits include:
  - » Cardholders and their authorized users will earn bonus cash back on all certain military-related purchases.
  - » Cardholders will earn 1% cash back on all other purchases, anytime, with no expiration or rewards cap. Rewards can be redeemed for cash back, gift cards, merchandise, and travel.

Additional club membership benefits include Members First Discounts, a Scholarship Program, and access to special events and promotions. Blue Star Deployment Benefits, will offer a 100% refund on interest and fees incurred during military deployment, no matter how long the deployment lasts, and authorized family members may use the card for purchases while the primary cardholder is away.

The [military credit card features](#) offered by Chase & MasterCard make these cards a no brainer; these are great rewards credit cards to take advantage of if you're a member of the military. You aren't going to find a better deal with other credit cards because they will most likely have rotating categories for rewards, a higher APR, an annual fee, no deployment benefits, and other fees that credit card issuers still charge military members.

If you're looking for an alternative military credit card or frequently shop at AAFES merchants, try the [MILITARY STAR Rewards MasterCard](#). You earn 2% cash back when you use your card at [Exchange](#), Express Fuel Stations, Commissary, MilExch.com, and MWR merchants. You will also earn 1% on all other purchases.





## Charitable Giving Cards and Programs

Charities are non-profits that survive strictly off donations from individuals and companies alike. Some banks are starting to tie in charities by allowing cardmembers to donate points and rewards to a charity affiliated with the bank. You can donate points, miles, or rewards with a credit card you may already be carrying, or through a rewards program of which you're already a member.

### CHARITABLE GIVING VIA CREDIT CARDS

There are a few banks that offer charity donations with their credit cards.

- **CAPITAL ONE:** [Capital One](#) has one of the more popular programs for charity donations. Their [No Hassle Giving Site](#) is powered by Network for Good, which allows for Capital One credit card members to donate cash or rewards to over 1.2 million charities and Capital One will cover the transaction fees. Donations will come with an online receipt for your records. All Capital One credit cards are eligible to donate through their No Hassle Giving Site.
- **AMERICAN EXPRESS:** American Express has a charity program called [Members Give](#) that allows cardmembers to donate rewards points to any non-profit registered with Members Give. American Express will donate \$10 for every 1,000 points that are donated to a charity, up to 500,000 points in donations annually.
- **DISCOVER:** [Discover](#) contributes [an additional \\$25,000](#) to the organization that receives the most donations from their cardmembers each year.
- **CITI:** Citi has a great program called ["ThankYou Your Way"](#) that allows cardholders to choose how to use their points, like donating to a charity of their choice through [PointWorthy](#).

### DONATE MILES TO CHARITY

There is an entire network of airlines that allow the donation of air miles. Donating earned miles is likely not tax deductible since it's difficult to determine the point value. Some donation sites even include disclaimers that the IRS does not consider donated miles as tax deductible. One foundation, the [Make-A-Wish Foundation](#), which needs more than 2.5 billion miles per year to cover every travel wish, lets you donate miles earned from Delta, United, or U.S. Airways.

If you're interested in donating miles, the following is a list of airlines that participate in a donation program:

- **AEROPLAN'S CHARITABLE POOLING PROGRAM:** Offers an air mile program, [Aeroplan Beyond Miles](#), which has many affiliations, including [AirCanada](#), Avis Rent-a-Car, Delta Hotels and Resorts, and UnitedAirlines. To date, they've received more than 432.2 million miles for over 700 participating charities.

“

Donating miles will help fund charity travel expenses, which is a great idea since many charities volunteer all over the world.”





## IV. HOW DO REWARDS PROGRAMS WORK?



### *Redeeming Rewards*

There are many ways that you can redeem your existing rewards. In fact, just finding the best method to do so can be confusing. What makes the rewards game so tricky is that many consumers don't understand how to stretch the value of their rewards. This is different from the number of points/miles used for a purchase.

Below we have listed various ways that rewards can be redeemed and included some insight from [LifeHacker](#) to help consumers understand the best redemption methods.

#### **CASH BACK**

Using your rewards for cash back is the most straightforward and transparent way to redeem your rewards. Most credit cards that show rewards as points offer a simple 1-to-1 conversion (1 point = 1 cent), so you know the true value of each point, unlike with miles. You can typically redeem your cash back rewards for any amount and at any time via a check from your credit card issuer or as a direct deposit into your checking or savings account. However, there are two other ways to use your rewards for cash back:

- **STATEMENT CREDITS:** Many rewards programs provide the opportunity to redeem reward points for statement credits on your credit card bill. However, it is important to know how much these points are worth as they may vary depending on the card issuer. You may also want to consider comparing the value of your points for statement credits vs. travel reservations, cash back, or other options.

For example, according to the [Chase Sapphire Preferred® with Ultimate Rewards<sup>SM</sup> Program Agreement](#), cardholders can redeem their Ultimate Rewards points for just one cent each as statement credits. But those same points are worth 1.25 cents towards travel reservations booked through Chase, or may be worth even more when transferred to different travel partners, depending on the value of the services you redeem your points for. The [terms and conditions](#) of American Express Membership rewards state that 20,000 points are necessary for a \$100 statement credit, so cardmembers would only receive half a cent in value for each of their points.

- **REDEEM FOR PREVIOUS PURCHASE:** Some card issuers such as Citi, Capital One, Barclay, and American Express offer consumers the option to redeem points or miles as statement credits to "erase" the cost of previous purchases made with their credit card. Some cards even offer incentives for redeeming points or miles for past purchases by offering a percentage of your total miles or points back, such as 10% back on the rewards you redeem. Be aware that rewards points may redeem for different values on past purchases, depending on the card issuer.

## AIRLINE MILES

Most airlines have frequent flyer programs that accrue miles you can redeem for free flights and upgrades. If you're a little short on miles for your ticket, you can buy miles directly from the airline. [USA Today](#) provides the following step-by-step guide for redeeming free flights and upgrades:

1. Log onto your frequent-flier program website using your frequent-flier account number or user name and password. If you haven't signed up for web access, register your frequent-flier account number, name and address, and select a user name and password, if prompted. Some programs, such as Delta, provide a password upon account number issuance, so check your membership materials.
2. Select the option to view your account information from the airline home screen. Some programs, such as American Airlines AAdvantage, provide account information on the home screen, while others, such as United Airlines MileagePlus, provide a tab or a link for "My mileage summary."
3. Write down the number of miles in your account.
4. Select the link for an awards chart, usually located under "Redeem miles" or as an option under the frequent-flier program page. Confirm that you have enough miles for your trip during the time frame you want. Most programs have blackout dates when miles can't be used, as well as low "saver" season and "standard" high season dates, during which the number of miles you need will vary. Frequent-flier programs also have advance booking requirements and associated booking fees.
5. Click the option to book your trip using miles. This option might be available on the online reservation form or under "Redeem miles" on the frequent-flier program page.
6. Type your airport code in the "From" field, type your destination airport in the "To" field and select your desired departure and return dates. Select the type of award (if the option is available) and the class of service, such as economy, business or first class, then click the "Search" or "Submit" button.
7. Choose the desired flights for departure, return and connection(s) if applicable, and click the "Continue" or "Select" button.
8. Type the passenger's name and traveler information in the corresponding fields and click the "Confirm" or "Continue" button. Click the "Select seat" link if available to request a seating assignment.
9. Review the mileage deduction from your account and click the "Confirm" or "Continue" button to authorize award redemption.
10. Confirm that the miles were deducted from your frequent-flier account and that the e-tickets were issued via email. If you book award travel for yourself, you can click the options to print an itinerary and e-ticket receipt.

You might also be able to turn your frequent flier miles into cash or gift cards at [Points.com](https://www.points.com).



**Pros:** You know what you're getting and can use the cash back for anything you want.



**Cons:** Other reward redemption options may make your points or miles go farther. Also, most programs require you to meet a certain spending threshold before you can redeem your rewards for cash.

### GIFT CARDS

Gift cards are popular ways to redeem credit card rewards because of their flexibility and point to dollar value. According to [Discover](#), "some rewards cards even offer extra rewards when you purchase a gift card through a retail partner. For example, redeeming \$20 worth of rewards or points could get you a \$25 or \$30 gift card. Now you can instantly redeem rewards online or with the swipe of your finger on a mobile device. For example, Discover cardmembers have the ability to redeem Cashback Bonus instantly with eGiftcertificates at a variety of retailers ranging from major department stores to restaurants and travel sites."

“ Issuers now offer many options to redeem at lower price points such as \$25 gift cards, so you don't have to stockpile rewards to reap their benefits. ”



**Pros:** Gift cards can be as good as money and rewards sales offer them at a great discount. You can even turn that discounted gift card around and [sell them to a secondhand gift card site](#) for even more return on your rewards.



**Cons:** Gift cards can cost you money if you forget to use them and they expire. They're also easier to lose unless you can store them in an app on your phone.

### TRANSFER INTO A PROGRAM

One of the best ways to save on airfare and hotels is by transferring your rewards to a hotel or airline program. However, rewards programs can often be complicated to use and understand thanks to eligibility restrictions, expiration dates, and limited award seats on airlines.

Reward levels vary for every flight or hotel booking, depending on the time of year, day of the week, and customer demand. Sometimes it makes more sense to hold onto your miles or points in order to wait for a better deal on your rewards. You can calculate whether it's worth using your miles or holding onto them, by using the [Mile Value's calculator](#), for example, or search for flights with [GoMiles](#), which tells you how much they're worth in points, cash and miles.

There are sites and services that make using your travel points easier. [AwardWallet](#) and [MileWise](#) keep tabs on your rewards programs, notifying you before your miles or points expire. [MileageManager](#) does the same, but for a small annual fee you can receive notifications of bonus earning opportunities and available hotel rooms and award seats.

Still, using your rewards for travel can save you a ton of money and help you go on trips you might not normally be able to afford. You can get a round-trip international flight with the points you get for free from credit card sign-up bonuses by racking them up with regular shopping, and other travel hacks. The Points Guy has a great [beginner's guide](#) to earning as many miles as possible and using them with various airlines.

Also, if you like the idea of turning points into travel but don't care for the headache or time investment of seeking out the best value for your miles, award booking services might be worth the investment. For \$100 to \$150 a ticket, [these services](#) find the best award seats for you, using the least amount of miles, and can book your flight with the airline. They might be a good option if you are trying to travel during a peak season, at the last minute, or have a complicated route itinerary.



**Pros:** Possibly the biggest rewards, since the value of miles (or points converted to miles) can be much more than 1 cent. ([Frugal Travel Guy](#) has an in-depth series on mileage valuation, with average United miles worth nearly 3 cents). Sometimes you can get in on a special deal like a hotel room for half the points, or a flight that can save you 45,000 miles.



**Cons:** Often difficult to redeem or get the most value from your rewards without investing a lot of time and research in exchange. You'll also need to accrue a lot of points or miles to cash in on free travel or obtain elite status.

### DONATE OR GIVE AWAY POINTS OR MILES

Finally, you can use some or all of your accumulated rewards to give to others—a charity, a friend, or family member. Most major credit card issuers have their own partnership with a charity or program that works with charities to make it easy for cardholders to donate their rewards or miles. Another way credit cards help charities is by designating a bonus category strictly for charity donations.

If you want to donate or give your rewards to a friend or family member, the person receiving the rewards typically has to be in the same rewards program, in another reward program that works with your reward program, or carry the same credit card as you.



**Pros:** It brings good karma, is highly convenient and a much better option than letting them go to waste.



**Cons:** In most cases, you can't claim that charitable donation on your taxes.

Now that you understand how credit card rewards are redeemed, you should also be aware of program opt-in considerations prior to determining the best credit card offer for you.

### MERCHANDISE

Redeeming rewards for merchandise like digital cameras and blenders rarely makes financial sense since you can often get those items cheaper through traditional retailers, and the value of your miles or points can go farther for other purchases like travel. Be sure to compare the cost of purchasing the merchandise outright against the cost of using your rewards to make sure you are maximizing the value.



Whatever you decide, make sure you use your rewards before they expire. Miles and points are an alternative form of currency, but they're worth nothing if you don't use them or they expire. ”

Whether or not redeeming rewards for merchandise make sense for you will depend on the individual item.



**Pros:** If you never plan on redeeming for travel, using your rewards for items you need or want might be a good decision. And even if it's not the absolute best value, there's no such thing as a bad award.



**Cons:** You have to do some price comparison checks to see if it's a good deal for you. Typically when you redeem your rewards for something else such as travel or gift cards, you'll get more for the value.

### PROGRAM CONSIDERATIONS

Consumers can often fall into the trap of being lured in by ads when searching for a great rewards card, so it's important to understand rewards program requirements.

According to an article by CNBC, it's easy to focus on the big rewards highlighted in the ads and ignore the rules that spell out how you earn them and how you can lose them. Here's what to look for:

- **SPENDING TIERS:** You may need to spend a certain amount within a specific time period to get that big sign-on bonus. For example, the Capital One Venture Rewards Card offers new customers a 10,000 mile bonus, but only if they spend \$1,000 on purchases within the first three months of getting the card.
- **REGISTRATION REQUIREMENTS:** Rewards cards often offer bonuses on certain purchases, such as gas or groceries, each quarter, which may require you to first sign up for these bonuses. Forget to sign-up and you'll miss out.
- **LIMITS:** With many rewards credit cards, you can only claim a certain number of rewards points each calendar year.
- **PENALTIES:** Some banks, like American Express, will revoke your monthly rewards and may charge a fee to reinstate those rewards if you miss a payment..
- **TERMS CAN CHANGE:** Rewards programs can frequently change and if you're not mindful of new changes, you may lose some of your rewards. Check the monthly bill inserts for changes to the program.
- **ANNUAL REDEMPTION CONSIDERATIONS:** Some rewards credit cards will come with a bonus of 50,000 points, for example, but the cardholder may only be able to redeem 30,000 of those the first year, then must wait to receive the other 20,000 after their card anniversary date. That's why it's always wise to check your terms and conditions.
- Rewards cards typically come with a higher interest rate than general purpose credit cards, so they're best for people who pay off their balance in full each month. They may also have an annual fee.

Now that you have a full understanding of how to redeem your credit card rewards and the program requirements, it is time to figure out how to find and get the most out of a rewards card.

## V. HOW TO GET THE MOST OUT OF A REWARDS CARD

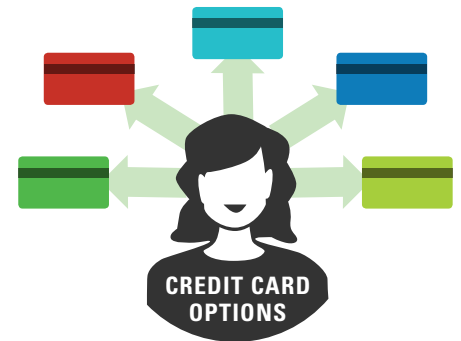


### *Which One is Right for Me? And How Do I Pick?*

Many consumers want to find a better credit card, but the choices can be mind-boggling. There are hundreds of credit cards on the market and every one of them has something different to offer. Should you go with the cash back credit card or the points rewards card? What kind of interest rate are you comfortable with? These are all valid questions for someone in need of a new piece of plastic. To get started, let's first consider the following:

#### KNOW WHAT YOU'RE WORKING WITH

First and foremost, you have to take a careful look at your own credit worthiness. That is what card issuers will do before they approve you for one of their credit cards. Try using a [free credit monitoring](#) service to check your credit score for free. If your credit score is strong, you will have a lot more options to choose from.



#### DETERMINE WHAT TYPE OF CREDIT CARD YOU NEED

If you are eligible for a rewards credit card, decide how you intend to use the card. If you are interested in travel rewards, for instance, then a card that offers free gasoline rebates would be a good choice for you, but only if you plan to travel by car. Otherwise, you may be better served by an airline miles card or even a hotel rewards card. Think about how you'll use your card and the rewards associated with it. Then find the one that is right for you.

Once you have a fairly good idea of the type of card and features you are looking for, it is important to compare credit cards to make sure you are choosing the card that best fits your needs. Our [credit card comparison](#) tool allows you to compare cards by adjusting the calculations and selecting the card features most important to you. You can then pick and compare cards side-by-side and use our "Best Card" feature to pick the best card for you. However, there are two important considerations to keep in mind while comparing credit cards:

- 1. Sign-Up Bonuses:** A sign-up bonus is a special offer used by credit card issuers as an incentive to sign up for their card. These sign-up bonuses are points or miles awarded after the first purchase, or awarded after a certain amount is spent within the designated amount of time after signing up.

It is important to familiarize yourself with the criteria that needs to be met in order to obtain the sign-up bonus being offered and be ready to pay off the new credit card balance quickly so you don't get stuck paying high interest charges and/or fall into debt.

- 2. Annual Fees:** An annual fee is a yearly fee charged by a credit card company each year for use of a credit card. If your card charges an annual fee, make sure that the rewards you earn exceed the amount you are charged yearly for using the card.



## HOW TO MAXIMIZE REWARDS

When you have a rewards card, it is important to take steps to ensure that you are maximizing your rewards and taking full advantage of what the card has to offer. Below are some basic tips from [The Motley Fool](#).

- **CONCENTRATE TO ACCUMULATE:** Don't limit your point potential by spreading your spending across multiple credit cards.
- **SIGN UP FOR ALL MAJOR AIRLINES' FREQUENT-FLIER PROGRAMS:** They're free and they come with member-only alerts.
- **LOOK FOR ALLIANCES:** Redeem rewards with other airlines, hotels, rental car companies, and retailers. Official partners offer more value per reward point.
- **KEEP TRACK:** Keep track of your bounty, expiration dates, and deals with free programs at [Points.com](#) and [Mileport.com](#).
- **DON'T LET REWARDS EXPIRE:** Most cash back rewards won't expire as long as you keep your account active and in good standing, however, your points may expire based on inactivity. Watch the clock if you want to use those hard earned rewards. Each program has its own rules about rewards. Some may never expire, while others will expire due to delinquent account status or closing the account.
- **DON'T CASH IN TOO SOON:** Tiered programs often reward patience by offering a higher point value to customers who wait and redeem more points per transaction.
- **TOP OFF TO CASH IN:** Buy the points needed for a freebie through the airline or rewards program, or check out [Points.com](#) to augment, swap, redeem, or donate rewards.
- **USE POINTS TO PAY FOR PRICY PERKS:** Sometimes a free airline ticket isn't the best value for your rewards. For instance, redeeming your points to upgrade from coach to business class on an international flight may provide more value than using them to get the coach ticket in the first place.



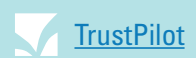
## VI. CONCLUSION

At this point we have covered everything you need to know about rewards credit cards, including the basics of what they are and how they work, the types of cards that are best for you based on your interests, how to compare cards and offers, and tips on how to maximize your rewards.

Now that you have armed yourself with all of the information you need regarding rewards cards, you should be ready to make an informed decision about the best credit card that fits your needs and start racking up those rewards!

We hope that you have found the information and resources provided in this guide useful so that you can take advantage of all of the perks and benefits of being a responsible cardholder. You should be rewarded for being in good financial health. After all, you've earned it!

Let's get connected so we can help you determine what belongs in your wallet. For more information or to speak with one of our experts, please visit [www.comparecards.com](http://www.comparecards.com).



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