

## Rewards roller coaster

### Tips for navigating the complex world of credit-card rewards programs

By [Andrea Coombes](#), MarketWatch

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*This update of a story originally published Oct. 1 clarifies where a Disney Rewards Visa card free-stroller perk is available.*

**SAN FRANCISCO (MarketWatch) -- Airline miles? Cash back? Hotel points? These days, choosing among rewards cards is not for the faint of heart. Not only is there a plethora of cards from which to choose -- how about money contributed to your IRA every time you make a purchase? -- but they offer perks in a variety of ways.**

And they all come with the inevitable fine print detailing myriad restrictions, making it difficult to figure out which is the best deal.

There's some evidence rewards programs stymie cardholders. About one-third of mothers in a recent survey said they're unsure what rewards their credit card offers, according to a survey of 223 mothers with rewards cards, conducted by Harris Interactive for Disney Rewards Visa Card from Chase.

Forty-one percent of the moms said they're dissatisfied with their rewards-card program, 34% said their credit card does not offer the types of rewards their family wants and 32% are frustrated by the restrictions their card carries. (Disney Rewards Visa says its card comes with no black-out dates or other common restrictions.)

#### Points -- or cash?

Your first choice is whether you want to earn points for a particular goal, such as an airline ticket, or get cash back.

For some, the hassle of redeeming points is too much. "In general, I'm not a big fan of points cards, but there are exceptions," said Curtis Arnold, founder of CardRatings.com, a Web site for consumers to compare credit-card deals, based in Little Rock, Ark.

One such exception: The Hilton HHonors Platinum card from American Express, he said. The card offers 10,000 points with your first purchase, up to 10,000 for your first four Hilton stays, plus five points for each dollar spent on eligible purchases at supermarkets, gas stations and elsewhere, and three points on other purchases. There's no annual fee. You get a free one-night stay by redeeming between 7,500 to 40,000 points, depending on the hotel.

"If you frequent Hilton, my gosh, that's pretty generous," he said. "That's a good example of a points-based type card that can make sense for certain consumers."

But both Arnold and Bill Hardekopf, chief executive of LowCards.com, another comparison Web site, said they prefer cash-rebate cards, in part because they're easy to use. Instead of figuring what your points are worth and how to redeem them, cash-back cards automatically add a rebate to your credit-card bill.

Consider the traditional airline card. "Some are advertising no blackout dates, no seating restrictions, but there's invariably restrictions somewhere," Arnold said. "And you've got the hassle of keeping track of your points and figuring out how many points am I going to need to accumulate to get a free ticket to this destination. And when you redeem, you typically have to pay a redemption fee, usually \$15."

#### Start with you

To choose among the offers, you need to assess your buying habits, and then go to one of the comparison Web sites to check what's out there. If you're loyal to a hotel or airline, a branded card may be a good buy. Those who want more freedom should consider a card with rewards that are good at a variety of companies or a cash-back card.

If you're someone who hops on a flight at the sight of one "low fare!" alert, you might want a card with rewards spanning a variety of travel companies. One new option: the Travelocity Rewards MasterCard, offered by Barclays Bank Delaware, good for travel booked on Travelocity. (Note: The annual fee is waived for a year but then you'll pay about \$29 annually.)

If, instead, you seek unusual perks, consider a Visa Signature card (usually offered to households with annual income of \$150,000 or more). A variety of issuers offer this card with different rewards, but all come with Visa Signature's special offers, including tickets for two in Millionaire's Row to watch the Kentucky Derby, plus a tour of Churchill Downs, three nights hotel stay, and more -- for about \$4,250 per couple. Another option: \$75 for two tickets to the NFL Draft event, including getting to "hand the hat" to an NFL draft pick, signaling to the draftee which team picked him.

Maybe you want to save for retirement? The Fidelity Investment Rewards card puts \$75 into a Fidelity account every time you rack up 5,000 points.

### Do the math

Assessing which card is the best deal is no mean feat but, after you narrow your choices based on your consumer tendencies, do the math.

"You need to understand what you're getting yourself into," Arnold said.

Here's an example. With the Capital One No Hassle Miles Visa Signature card, every dollar charged brings you either 2 miles or 1.25 miles, depending on the purchase. If you earn 15,000 miles, you get a ticket worth up to \$150, and with 35,000 miles, you get a fare worth \$151 to \$350. With 60,000 miles you get a ticket worth \$351 to \$600.

Say you want to earn a \$400 airline ticket with this card. Let's assume you charge only at stores that Capital One deems worthy of 2 miles per dollar spent (those include some book stores, gift shops and video stores). Since you have to earn 60,000 miles for that \$400 ticket, and you get 2 miles per dollar spent, you need to charge \$30,000.

Compare that to a cash-back card that gives you 1.5% back on your purchases: You spend \$30,000 on that card, you'll get \$450 back. The cash-back card looks better. But, if you used your 60,000 reward miles on the first card to buy a \$600 airplane ticket, you'd be better off with the miles card. To choose, you need to assess your charging habits - and know what your ultimate goal is.

Then, there are each card's perks to consider: The Capital One card charges no annual fee, works on most airlines with no blackout dates and comes with the concierge services Visa Signature cards promise, such as restaurant recommendations, plus access to those special events mentioned earlier. The cash-back card may give you the same, fewer or more benefits. Read the fine print on both cards.

Here are more tips to keep in mind.

- **Pay your balance due.** No matter which card you choose, it's important to pay off the balance every month. Rewards "are only profitable if you pay off your balance each and every month," Hardekopf said. And, while you're shopping cards, limit yourself to two, say, since opening too many credit lines may hurt your credit rating.
- **Interest rates.** If there's a chance you won't pay off your balance every month, be sure to compare interest rates.
- **Check rebate caps.** Some cards limit the benefit, either with a cap on miles or points or on cash back. All else being equal, go for a card with no caps.
- **Compare annual fees.** Look for no-fee cards. "There are so many cards out there in each of these categories, go for a card that doesn't have an annual fee," Hardekopf said.
- **Expiration dates.** The points or miles on some cards expire after a set period. Look for a reward program without expiration dates.
- **Short-term offers.** Some offers are only good for an introductory period. Still, a short-term offer may be worth it, Hardekopf said. The Chase PerfectCard Platinum MasterCard offers a 6% rebate on all gas purchases for the first 90 days. But the post-introductory offer of 3% gas-purchase rebate plus 1% on all other purchases is still not bad.
- **Look for perks.** Find a card with free perks that suit your lifestyle, says Robyn Spizman, an author who tracks money-saving tips for families. For instance, with the Disney Rewards Visa card from Chase, parents get to use a free stroller when they arrive at Disneyland Resort in California.

- **Set a goal.** Figure out what you'd like to get out of your card. A trip to your hometown next year? A family vacation? Maybe \$200 cash back for a special purchase? With a goal in mind, "when you're making purchases throughout the year ... you know what you're doing," Spizman said.
- Keep track of changing terms. If you're not reading the fine print, check in with your card issuer on occasion to see whether the rewards program has changed. For instance, some card issuers recently scaled back their more generous offers. One Citibank card offering a 5% rebate on gas and other purchases will soon drop to 2%, Arnold said. ■

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