



BESTCASHCOW GUIDE TO CREDIT CARD TRAVEL REWARDS

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Getting Started with Rewards Credit Cards

Many credit cards today offer some type of reward for using them in the form of points. Points can be redeemed for cash back, free gifts, and travel rewards (hotels, airfare). After having analyzed this space extensively, BestCashCow believes that travel reward programs offer the best sign-up rewards, with some worth well over \$1,000 if you meet promotional spend requirements; and the best return, with some programs easily offering up to 3% of the regular spend. For certain categories that offer 2, 3 or even 5x, for every dollar spent on a credit card, as much as fifteen cents of a certain part of your spend can come back in the form of a reward, that's up to 15% of your spend.

But to get this level of reward takes some knowledge of how these credit cards work and also the various deals offered by the cards. Earning valuable travel rewards points is easy with the right credit card and a little bit of research and planning. It can also be exciting, even exhilarating. Most importantly, it can enable you to travel the world in a class of service that you might not otherwise be able to afford, or to see places that might otherwise be prohibitively expensive to get to.

It is important to note that rewards cards do not make sense for those who plan to carry a balance. For those looking to finance purchases on their card, a low interest credit card is the better choice. But, if you pay off your balance monthly, then this eBook and the information provided below is for you.

Travel and Rewards Credit Cards Outperform Cash Back Cards

The Wall Street Journal recently ran an article entitled "Don't Settle for 1% Cash Back on Credit Cards". The article confirms that the basic cash back rewards cards offer 1% which can usually be redeemed for merchandise or gift cards.

Depending on the redemption, airline points ordinarily have a value well over 1 cent and can often be much higher. Hotel points, likewise, can routinely be worth as much as 3.5 cents, and you can earn value in excess of 3.5% if you spend in a category than gets you more than one point per dollar spent ([see this table](#)).

The Five Point Plan for Getting Started with Rewards Travel Cards

You've decided to dip your toe into the travel reward space. Or maybe you already have a travel rewards card. What are the best practices to get started or to save more? Follow the five steps below:

- 1. If you do not have them, open accounts with the major loyalty programs that you intend to use.**

BestCashCow has put together a table of the cards that offer the top travel rewards. In the tables, we have calculated the % return you will receive for using each card.

[This table](#) shows how we value a point in each of the major hotel programs, and [this table](#) shows how we value a point in each of the major airline programs. The tables also show the cards that accumulate points in each program. The goal, obviously, is to open a card that provides the most points for every dollar spent on the card. This will maximize the travel reward you are able to earn.

Action: Find the best hotel and airline rewards programs by reviewing BestCashCow research on the value of these programs: [Hotels](#) - [Airlines](#)

- 2. Recognize that many programs have miles and points that expire.**

You will want to track your miles and use them as quickly as you can. Prepare a means of tracking your balances and the expiration date of your points in each program.

Awardwallet.com and Tripit.com both offer mileage and point tracking programs. Using the “Notes” application on your iPhone or Android device also works perfectly well.

Action: Develop a simple system for tracking your miles.

3. Meet the promotional spend requirement.

Most cards have bonuses you can receive for spending a certain amount in a period of time. If you can meet these promos, you can earn significantly more points but be aware that the requirements can be high. If you do not believe that you can meet a promotional spend requirement for getting the points or miles that a card offers, delay applying for the card until such time as you will have bills that will allow you to meet them. For example, the Amex Platinum Card ordinarily requires that you spend \$10,000 within 3 months of opening the account in order to get 50,000 membership rewards points. It also carries a \$450 fee. While the card has many benefits that may justify the \$450 fee, you are passing up one of the biggest if you open it during a period where you will not be running the spend levels required to get these points. By the same token, you should use credit cards over cash, but always pay your balances on time. If you fail to pay your balances, interests that you will owe will outweigh any points you will receive. Do not pay a premium to use your credit cards (such as at a gas station) as the premium you are paying will outweigh any points you will receive.

Action: View the list of sign-up bonuses: [Sign up Bonuses](#)

4. Begin to familiarize yourself with the ways to redeem points or miles.

By beginning to look at how you can redeem points, you will be able to get the rewards that are the most valuable and useful to you. On most airlines, you will get the most value for your points by redeeming for long haul flights in Business or First class (British Airways is an outlier here, and the best value in their program is often in coach class on short haul flights operated by American or Iberia, its partners). At hotel chains such as Hyatt, your points may go further if used to stay at some of the lower category hotels. For example, the Hyatt Regency Montreal, the Hyatt Regency Greenville, South Carolina and the Park Hyatt in Mendoza, Argentina are all outstanding properties where the room price can be quite high, but they are categorized within Hyatt's reward program as

category 2 hotels which requires very few Hyatt points per night (8,000). Flexible point programs may offer more strategies for maximizing value. See, for example, [this recent article](#) which details how to get tremendous value by transferring Chase, Citibank or American Express points to Singapore Airlines' frequent flier program.

Action: Learn a bit about the redemptions offered by the program or card you have chosen.

5. Use the points, don't accumulate them.

Points can be devalued in many ways and it's wiser to use them sooner rather than later. Take a trip to an exotic location or treat yourself to a weekend in a nice hotel.

Action: Once you accumulate points, start using them.

Can Opening a Credit Card for Points Or Miles Damage Your Credit?

When I mention an incredible travel rewards credit card deal to friends, I frequently hear the response: “I would love the benefit, but can’t risk damaging my credit.”

There are two types of people who should not open new credit cards under any circumstance – those who do not pay their bills on time (or run a credit balance) and those who spend more as a result of having a credit card (often to reach promotional spend amounts). If you fall into either one of those categories, you will come out a loser by opening a new credit card, no matter what type of promotional bonus you are receiving or how many travel points or miles you are accumulating through spend. But, so long as you pay your bills on time, there is very little risk in opening a new travel rewards credit card in order to receive a sign up bonus and in order to align your rewards with your travel interests.

In fact, having more available credit can actually improve your utilization ratio and improve your credit. Someone who spends \$10,000 a month on credit cards and pays their balance in full, but has \$200,000 in credit is utilizing only 5% of their available credit. That same person who has \$20,000 in available credit is utilizing 50% and therefore has a higher utilization ratio. A low utilization ratio (having credit and not using it) demonstrates responsibility with credit and leads to a higher credit score.

By the same token, the more important factor to consider in your credit is not the effect of opening a card, but that of closing a card. If someone’s utilization ratio were to rise from, say, 5% to 50%, his or her credit score could be adversely impacted. If you cancel a card, specifically one with a very large credit limit, it makes sense to call the issuer and ask that the credit line be reassigned to another card with that same issuer (the process of moving the credit and canceling the card can often be accomplished by asking for it in the same call when you cancel the

card, but it cannot be done after the card is cancelled). Chase and Citibank are generally very accommodating to this request; Amex, not so much.

Americans generally pay too much attention to their credit score. It is important to recognize that a credit score of 760 or above is always going to qualify you for the best lending rate on a mortgage (and not going to raise any red flags in a job interview, etc.). Getting a new credit card, resulting in a “hard pull” on your credit, is never going to impact your credit more than temporarily, and never more than by a couple of points. As long as your credit score has a few points of margin above 760 and as long as you are not imminently seeking a new mortgage, there is unlikely to be a material or deleterious impact in applying for a new credit card.

BestCashCow's Top Ten Rules

So, now that you know the basics - go for travel rewards, find the cards that fit your travel goals or cards that are flexible, get the bonuses if you can, use the points - here are some additional tips to help you fine-tune your approach.

1. Play the Game

There is nothing wrong with earning loyalty points from your favorite hotel or airline, or flexible points (such as Chase's Ultimate Rewards points) that can later be transferred to a program or used for your travel expenditures. There is also nothing wrong with opening several credit cards to take advantage of sign up bonuses. Credit card companies are exacting large transaction and processing fees from vendors. That is being passed on to you. It is fair to ask for some of the value back for your loyalty and usage.

2. To reiterate: go with travel rewards to get the most return for your dollars spent. Plus, it's more fun to dream of exotic trips than cash back.

The industry standard is basically that a dollar spent on a credit card is worth as much a penny in remuneration to the consumer. Most cash back programs are geared to this number. Gift card programs through Chase's Ultimate Rewards or Amex's Membership Rewards will also give you back 1%. You may from time to time find a 2% or even a 3% bonus, but you are simply never going to get more than about a penny. Leading hotel rewards points and airline frequent flier points can easily be redeemed for 3 or 4 cents per dollar spent. Using points to stay at luxury hotels or to fly, or upgrade to business or first class on long haul flights often results in value of as much as 8 or 9 cents per dollar spent! Hotel and airline points are therefore always your best bet.

3. Having the right cards with large lump sum sign-on bonuses is the easiest way to jumpstart a point earning strategy

Most people get more travel and reward points from credit card usage than they do from actually traveling, and many get many points through sign-on bonuses.

4. Not all travel and reward programs are equal

Before you earn points with a program, you need to examine whether the program is generous and whether it works for you. These programs are very different, even within a certain segment. For example, among hotels, Hyatt's program is strong. Even after a 2014 devaluation, 30,000 points will give you a free night in Park Hyatts in Milan, Paris, Tokyo, Sydney or Zurich where a room could easily run you over \$1,000 a night. Its global footprint, however, is not nearly as broad as Starwood's program which is also generous if used properly. Other programs such as the Hilton, the Marriott or the IHG programs offer significantly less value. Within the airline category, British Airways has turned their Avios program into a great vehicle for short haul redemptions on American or on other OneWorld partner airlines. Delta, on the other hand, has turned both their airline and their SkyMiles program into one where even the most loyal traveler only sees value in Business Class inter-continental redemptions.

5. Hotel and Airline points should be used, not accumulated

People frequently make the mistake of hoarding points instead of using them. Hotel and airline programs can be devalued in multiple ways – by changing the number of points required for a reward, changing categories, changing partners, and of course by causing your points to expire. The terms of the program are very clear: the fine print always explains that the issuer can change or even withdraw the program at any time. And, as it becomes easier to earn points, virtually every major airline or hotel chain is tweaking, or even dramatically changing their

program each year. Therefore, while points may be a currency, they are not a store of value. This comes from firsthand experience. I lived in the Hotel Pulitzer in Amsterdam for four months about 16 years ago and accumulated tens of thousands of Starwood points that I never used; today those points are worth substantially less. Don't make my mistake. Use your points!

6. Travel and Reward Programs Run by the Credit Card Companies Offer Much More Flexibility

Earning points in a credit card program and keeping them there until you are ready to use them enables you to avoid point or mileage devaluation (expiration) and to have flexibility of program or experiences. These programs can also allow you to earn points more quickly through 2x, 3x and even 5x spend categories and enable couples to pool points more easily. Within this category, the two best programs by far are the Chase Ultimate Rewards program and the Amex Membership Rewards program.

7. Use Your Card, But Use it Judiciously

Put all of your finances on your credit cards and make sure to pay them off each month or the interest and penalties will cost you more than the value of points accrued. However, never spend more to use a credit card and never spend money just to accumulate points. Mileage runs to get status on an airline or loyalty-induced hotel stays to achieve status at a hotel at the end of the year make sense for hard core travelers, but spending runs never make sense even for hard core spenders.

8. Leverage your Point Earning Strategy Through Spend Bonuses, Dining Rewards and Online Spend Reward Programs

Having a card that accumulates travel and reward points is part of a strategy of earning points on your spend, but with a little extra work you can often earn more than 1 point per dollar spent. You can do this by taking advantage of spend categories (Chase Ink cards, for example, enable you to easily rack up 5x points at office supply stores like Staples and Office Depot). You should also enroll your cards in a dining rewards program (United, American and Delta all have these and you can enroll any card). Finally, before you spend money online, you should see if you can get bonus points for going through your credit card company's portal (using www.evrewards.com is the best way to do this).

9. Canceling Cards Is OK

It is OK to cancel your cards if they don't provide value to you. You should never cancel a card within six months of opening, however, as card companies will take back their card initiation bonuses. Instead of canceling a card, consider asking for the annual fee to be waived as companies often agree to this. Since issuers make more from a well-used card on vendor fees, they have an incentive to keep the card in your hands.

10. Keep your points with the credit card company until you are ready to redeem them.

If you have a generic credit card rewards program (Chase, Citibank, Amex, etc.) instead of a particular travel program like United or Hyatt, then it makes sense to keep your points with that credit card until you are ready to redeem them. When you earn points in the Chase, Citibank or Amex programs, there is an inclination to want to move them as quickly as you earn them to your favorite frequent flier

program or hotel program. For several reasons, you are better off leaving them in the flexible program in which they are accrued until such time as you need them for booking / redemption.

Here are the main reasons why it makes sense to hold your points with the card issuer and not with the specific travel rewards provider:

1. **Airline miles and hotel programs frequently devalue their program as a whole (Delta and United, in particular), or change the number of miles or points required for an airline or hotel stay.** Once you move your points into a given airline or hotel program, your points are with that program and for as long as they remain unused they become less valuable with each devaluation. You protect yourself from these devaluations by holding the option where to transfer your points as long as possible.
2. **Airlines and hotels have a constant incentive to devalue their points, and the card issuers have a constant incentive to keep their points worth as much as possible.** Between the two, your interests are better aligned with the card issuer so you want to keep your stash with them until you need them.
3. **Because card issuers have an incentive to keep points worth as much as possible, they are constantly adding new partners** Both Citibank and Amex recently became partners with the Singapore Airlines' Krisflyer program which gives holders of their points a very valuable option that wasn't present just a few months ago (Chase has long had Krisflyer as a partner). Had you transferred your points to one of the US airlines before Krisflyer was added, you would have missed out on some great redemption opportunities.

4. **Card issuers are sometimes even giving transfer bonuses that make your points more valuable.** American Express is the program that often runs promotions allowing you to transfer your points to British Airways and Delta at better than a 1:1 transfer ratio (they have offered transfers as high as 1:1.40).
5. **There is an optionality value to the points that is lost as soon as they are transferred.** For example, 100,000 Chase Ultimate Rewards points earned through a Chase Sapphire card or the Chase Ink card can get you three nights at the Park Hyatt Place Vendome in Paris (90,000 points on Hyatt), or six roundtrips from New York to Chicago on American (90,000 points booking through British Airways), or a Business Class round trip ticket from JFK to Frankfurt on Singapore Airlines (you'll need 98,800 points on Singapore). They can also be redeemed for flights on United, Korean or Virgin Atlantic, for hotel stays at Intercontinental or Marriott / Ritz, or even for travel on Amtrak. But, once transferred, your options are gone.

There is one disadvantage to not transferring your points until you need them, however, and that is that you'll need to keep your card active (i.e., pay the annual renewal fee each year) in order to keep your points.

Conclusion

Loaded with the information in this ebook, you are now ready to go out and maximize the programs offered by the credit card companies. By being strategic, you'll soon be flying off to an exotic location to stay in a beautiful hotel, all without any additional spend.

For more discussion on rewards credit cards, please visit our forum at www.bestcashcow.com/forum/travel-rewards.

Happy travels!

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