

Get the Most From Your Credit Card

Credit cards can be a valuable money management tool if used properly. We have many choices in card features, perks, and rewards. Getting the most out of any credit card starts with choosing the one (or several) that best suits your needs.

[Credit cards](#) offer more than a convenient way to pay, and if you manage your credit card accounts well, you can be sure to get the most out of your credit card while paying less for those benefits. The extras your credit card offers will depend on the type of account you qualify for. Carefully consider all aspects of any card before you apply, and use your card in the way that will benefit you most once you get it.

Secured cards and credit cards for people with poor or limited credit are usually bare bones credit cards that don't offer many, if any, benefits. They charge significantly higher interest rates than other credit cards and usually have a somewhat steep annual fee. The only real benefit they offer is that they can help you establish or improve your credit until you qualify for better terms. You have to actually use your card to improve your credit history; just having the account open without using it won't improve your credit. The best way for you to build your credit is to use your card every month, use no more than 30% of your credit limit, and pay your bill in full every month to avoid finance charges. If you've had one of these types of credit cards for some time, you've stayed within your credit limit, and you've always paid your bill on time, contact your credit card issuer to see if or when you'll qualify for a better card. They may agree to return your security deposit, reduce your interest rate, or do away with the annual fee. You may even qualify for a card with rewards. Your credit score can be hurt by closing old accounts and opening new ones, so see if you can upgrade the terms of your credit card while keeping the same account number.

Regular credit cards are for people with average to good credit. Regular credit cards often have a reasonable annual fee and fair rates. They don't require a security deposit and usually have a higher credit limit than cards for people with poor credit. Some come with limited rewards, such as travel miles, points you can redeem for merchandise, or even cash back. Cards with no annual fee usually don't offer as many rewards or charge a higher rate of interest than cards with an annual fee; if you want a low rate or rewards, you might have to pay an annual fee. Basically, you're going to pay for the use of credit somewhere. You can reap the benefits and avoid the costs of a credit card by choosing one with rewards you can use and no annual fee. If you can pay your balance in full every month, it really won't matter what the card's APR is. Many regular cards, and even cards for people with poor credit are marketed as "platinum", but really don't offer many benefits to validate the platinum status. Find out if you're really getting better treatment from the platinum card before you apply; you may get a better deal from a plain vanilla credit card.

Premium credit cards are for people with good to excellent credit. Credit card issuers want your business, and they will offer you their best terms because they know their competition is offering you their best deal, too. You have many choices in credit cards with no annual fee, great interest rates, and generous rewards. Many even offer extras like extended product warranties, roadside service, car rental insurance, and travel accident coverage at no charge. Some offer special discounts at selected merchants. You are likely to qualify for high credit limits because credit card issuers know they can trust you to manage your debt well. If you are interested in a credit card that's available to people with average credit simply because it offers benefits that are important to you, check with the card issuer before you apply. They may be willing to sweeten the deal due to your stellar credit rating.

Getting the most from your credit card

Be true to yourself when choosing a credit card. Before you shop for any product, the first step is to know what you want and how you're going to use it. Then you've reduced your choices to products that suit your needs. Once you've decided what type of product you actually need, you can further narrow your choices based on the price of the product. It's no different with credit cards. You may get credit card solicitations every week in the mail, but what are the chances that it's the best one for your needs when you have so many to choose from? Every day a retailer wants you to apply for their credit card at checkout, as if the card's incentives will prevent you from shopping anywhere else. Don't let them suck you in just because they offer credit; be sure that you'll benefit from the use of that particular card before you apply.

Rewards aren't freebies; they come at a price. I overheard a conversation in a store at checkout the other day, a shopper's friend commented that the shopper had spent way more than she said she was going to. The shopper replied, "Oh, it's okay, this card gives me rewards and the minimum payment is really low." Her response showed that she was not being rewarded at all, but being punished. It's too bad; she obviously didn't realize it. It's fun to think of all the things you can do with your credit card rewards; travel the world, redeem points for gift certificates, or even get cash back. But it's important to understand how much those rewards are actually costing you if you carry a balance.

For example, many rewards cards generally give you one point for every dollar you spend. One hundred points equals one dollar in redemption value. So what it boils down to is that for every dollar you spent, you get back one cent. To get one full dollar back, you have to spend one hundred dollars. If you carry a balance, that one hundred dollars will accrue an annual finance charge of anywhere from ten to thirty dollars, depending on your card's APR. How can you call it a reward if you are paying that kind of interest? You can't, that's why it's so important to pay your balance in full every month to truly benefit from the rewards your card offers.

Another way people are missing out on their rewards is by overspending simply to build up rewards points. If you are hoping to earn a plane ticket valued at three and fifty dollars, you would have to charge thirty-five thousand dollars on your credit card. That's a lot of money! It's better to pay for your ticket outright rather than buy stuff on impulse just to accrue rewards points. You can benefit from the card's rewards only if you are using your credit card for things that you would normally buy anyway. Use your rewards card for everyday purchases, like gas and groceries, to build up points based on what you normally spend, without spending more just to get the rewards. Over time, you can redeem your points or miles to get a bonus, without breaking the bank to get that bonus.

For people who don't pay their balance in full every month, a card with a low APR is the way to go. Forget about the rewards you'll be "missing"; many rewards cards charge a significantly higher rate of interest than a no rewards card. The card issuers have to make up for the cost of their rewards somewhere, and they often do it by charging a higher APR. If you always carry a balance, and you can get a card with an APR that's 5% lower than a rewards card, you'll automatically be saving five dollars in interest for every hundred dollars you spend. That's a much better deal than the one dollar you'll get back with a rewards card!

It's up to you to decide what kind of credit card will benefit you most. You must consider your spending habits, as well as your debt repayment habits. It's great to be rewarded for buying the things you already spend money on, as long as you aren't paying more in interest charges than the rewards are worth.

About the Author

[Finance Globe](#) is a professional contributor of personal finance publications. All inquiries pertaining to this article should be submitted to them.

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