

How To Select The Best Rewards Credit Card For Your Financial Success

If you have a healthy credit score and pay your bills in full each month, there's no reason why you shouldn't take advantage of the benefits that rewards credit cards have to offer. Following are tips on how to select the best rewards credit card for you based upon your spending habits and your credit score.

*Jonathan Fernandez,
Branch Manager*

Know your credit score

Rewards credit cards, when used responsibly, can be the ticket to a nice stream of passive income and benefits that come from making regular purchases.

The best credit cards require a good credit score. Qualifying for elite rewards cards and growing your credit limits require that you maintain stellar credit scores. You will need at least good credit to qualify for the best rewards cards, including cash back cards and travel rewards cards.

If you have less than 5 years of credit history, you'll have to prepare yourself for paying an annual fee to get the top rewards.

Also, rewards credit cards tend to have higher APRs, so if you carry a balance, the interest you accumulate will likely cancel out the value of your rewards. If you carry a balance—even sometimes—look at APRs first, then rewards.

Determine where you spend most of your money

Choosing a rewards credit card begins with your lifestyle and needs. In general, rewards take the form of cash back, airline and hotel points, general spending points, and other cardholder perks.

Cash back credit cards offer a percentage back for every dollar you charge. Some cards will give you a better percentage for certain categories of spending, such as gas and groceries, and others will cap the maximum amount of cash you can earn annually. These cards are the simplest to use and understand.

Additionally, most hotel chains and airlines offer co-branded credit cards with a points-based rewards system. The rate of return tends to be higher than if you used cash back or a general points reward card to pay for travel expenses—but only at the sponsoring hotel or airline. A majority of these cards come with extra rewards such as elite status, no charge for checked baggage, and other travel-related perks.

Lastly, a credit card with a transferable points or miles program offers a flexible option that can be more lucrative than the other types of cards. You can choose between point redemption toward a hotel stay or flight on the airline of your choice, move points to an outside travel rewards program, or convert points to cash rewards. While these cards can be

most rewarding and are especially beneficial to travelers, they require a bit more effort to maximize value.

Be sure to pay attention to how rewards are earned, how rewards can be redeemed, and if there are limits or expiration dates on the rewards you earn. Before choosing a rewards card, consider the amount of spending and the time-frame in which you must do so to earn the sign-up bonus. If it's more than you usually spend, it's not worth it. The same goes for cards with annual fees—you have to earn more in rewards than you pay for the privilege of having the card.

If you have multiple goals for your rewards card, it may make sense to open more than one account and put each to its best use.

Maximize your rewards

In order to benefit fully from your rewards credit card, you must have the discipline to crunch the numbers and spend the proper amount to maximize points. Be sure to spend only on regular expenses and pay the balance off every month to avoid paying interest and adding debt that outweighs the miles and points earned on the credit card.

Dig deep into what's included in bonus categories. Read the cardholder agreement closely to determine the full extent of your rewards capabilities. Utilize each card for its respective category bonuses. Any time you can earn more than the average return, you absolutely should.

Choose the best rewards for your lifestyle

A rewards credit card can be a good financial move if you have good credit, pay your balance in full, and want to earn free cash, free travel, and other benefits. Maximizing your credit card rewards requires a strategy and an understanding of how your card's rewards program works.

To select the best rewards credit card for your financial success, contact a PlainsCapital representative today at 866.762.8392 and optimize your credit spending to get the most back for the stuff you spend money on most.