How to get the most from credit card rewards

By Carolyn Bigda, Chicago Tribune, 03/13/2015

Today, bonuses for opening a new card are 25 percent richer than in 2014, according to ThePointsGuy.com a website that offers tips on how to make the most of credit card rewards. You can easily earn 2 percent for everyday spending, up from 1 percent previously. And zero percent balance-transfer offers have the longest terms since 2008, often lasting for 15 months or more, according to a recent study by CardHub, which keeps track of credit card trends.

"We're a couple of years out of the recession, and the marketplace has become more competitive," said Matthew Goldman, co-founder and chief executive of Wallaby Financial, which offers tools that help consumers maximize credit card rewards. "The effect of that is better rewards." But while the deals can be tantalizing, experts say it's important to think through the details before going rewards crazy. Here are a couple of things to consider:

Do you qualify?

To be approved for a rewards card, you generally need good or excellent credit, with a FICO score around 720 and up (out of a possible 850). If your score is lower, you may not be approved for a card or the rewards will be smaller. For example, a zero-percent balance transfer offer might get reduced from 18 months to six months, said Jill Gonzalez, a spokeswoman at WalletHub, an online resource for financial products and news. Twenty-somethings who are still building a credit history may have trouble meeting the credit score threshold. And if you do qualify, "You've got to be very disciplined about your spending," said Curtis Arnold, founder of CardRatings.com and BestPrepaidDebitCards.com, which keep tabs on industry trends. "Studies show that credit cards, especially rewards cards, cause you to spend more than if you used cash." Arnold's advice: Make sure you have a budget and can stick to it before opening up a rewards card. "Get a couple of years under your belt just using a plain-Jane card," he said.

What if you use credit cards wisely, but have a low credit score? In that case, check out secured credit cards, which require a cash deposit upfront to back the card's credit line. Some secured cards now offer rewards. LifeMiles Visa Secured, from U.S. Bank, for example, lets you earn airline miles that you can redeem with Star Alliance members, including United Airlines.

How do you earn rewards?

Rewards generally are earned when you use your credit card to make purchases: Spend a dollar and get a reward. But today, more issuers are offering generous sign-up bonuses just for opening a new card and charging a certain amount in the first few months. Chase Sapphire Preferred, for example, gives new cardholders 40,000 points -- enough to cover $500 worth of airfare or hotel stays -- when you spend $4,000 in the first three months that the account is open.

Issuers are also rewarding customers who practice good credit card habits. Take BankAmericard Better Balance Rewards, from Bank of America. You get $25 per quarter if you pay more than the monthly minimum on time each month, plus an additional $5 if you have a checking or savings account with the bank. "It disconnects the rewards from how much you spend," Goldman said. If you have a good credit score and no credit card debt, look for cards that let you earn 2 percent or more whenever you make a purchase. "That should be the minimum reward you get today," Goldman said. Consider Citi Double Cash, which Citibank introduced last year. You earn 1 percent for every dollar spent, plus another 1 percent for every dollar you pay off on your card -- a reward for spending and using credit wisely.