

## Choosing Between Cash Back Or Rewards Credit Cards

The basic premise behind a credit card is simple: you use the plastic to pay for goods either in person or online, and then you either clear the debt within a month or you begin to be charged interest on it. As anyone who's spent any time at all comparing credit cards will be able to attest, things are nothing like so simple. Not only do different cards charge different rates of interest, and indeed a single card can charge many different rates of interest depending on how it's used, but there are a whole host of different features that card issuers use to vie for your attention and custom. The classic kind of credit card inducement was the balance transfer offer, where you could shift a debt from one card to another and avoid paying interest for an introductory period. Once it became clear that many people were avoiding interest almost indefinitely by constantly moving from card to card, and so costing card issuers billions, the balance transfer fee was introduced, making the whole exercise rather less attractive. As the balance transfer craze waned, two features closely related to each other became the new battleground for credit card marketers: rewards and cash back. Both of these operate on the same basic idea, that being each time you spend on the card you receive a benefit in return. With cash back, a small percentage of each purchase you make is credited back to your account, usually annually. With rewards, the benefit is more subtle in that you build up points in relation to how much you spend, which you can then use to cut the cost of certain products or services, depending on the specific type of reward program your card offers. Both rewards and cash back can be extremely attractive, especially for heavy card users, but which one should you choose? Cash back cards give you the freedom to spend the rebate you receive on anything you want, but they have the disadvantage that the actual cash back rates are pretty low, usually at around 1%. Some cards, however, are upping the ante by offering much higher introductory rates, but only time will tell whether or not long term rates will rise much further. In contrast, most rewards programs allow you to redeem your points against a strictly limited range of goods or services, but can often therefore afford to give more actual benefit. For example, travel enthusiasts might find a card which rewards them with hotel discounts and free flights much more useful than an across the board 1% discount on their purchases. Similarly, wine buffs may find a card which gives them access to a discount wine club a more attractive way to benefit from their card use, and drivers may especially appreciate a rebate on their fuel costs. In most cases, a rewards program that fits in well with your lifestyle is likely to give a more satisfactory overall result than a general cash back program, but this depends on being able to find a card that suits you well. Whichever kind of card you choose, these days it's no longer necessary to pay through the nose just for the convenience of using your card - you should be able to find a card which gives you something very worthwhile back.

### About the Author

Michael writes on [credit cards](#) and related topics, and you can read more about [credit cards with cash back](#) at his site, Card Sense UK.

Source: <http://www.free-articles.neutronmarketing.com>