

Rewards Credit Cards: 5 Things You Must Know

Two good sites to search for credit cards are "CreditCards" and "ConsumerCardReport". ConsumerCardReport specializes in providing insightful guidance to consumers. CreditCards lists the most offers, but none of the extra cards seemed worth recommending.

There are a few fairly simple precautions that consumers should take when using rewards cards:

1. Pay it off each month. The interest rate on rewards cards is usually higher than on other credit cards, so make sure you pay the balance in full every month.
2. Avoid late fees. These can be as high as \$39, so make it a habit to pay the credit card bill soon after receiving it -- don't procrastinate.
3. Don't overuse it. Some people are tempted to buy more stuff with their rewards card in order to increase their rebate, which can pile up unnecessary expenses. If you don't think you can control your spending, don't get the card! Some rewards cards will pay you a higher percentage as you spend more money, for example a card may pay 0.5% for the first \$5,000 you spend and 1.5% afterwards. This encourages excessive credit card spending, which is why we don't recommend such cards to most people.
4. Make few applications. If you apply for one credit card your credit score will be fine, but as you apply for more cards lenders become more concerned that you may be having money problems. So the more cards you have applied for in the previous six months, the more your credit score will be decreased. After six months, your credit score returns to normal. Our recommendation for most consumers is to make no more than two card applications; but if you plan to get a mortgage or major loan in the next six months, make only one application.

Be aware that the number of credit cards you actually possess won't harm your credit score. More cards may even improve your credit score by increasing your credit-to-debt ratio. In particular, it's wise to maintain your card balances at less than half of your spending limits for those cards.

5. Check the terms. The most reliable description of a card's terms is listed alongside the card application. Although terms can sometimes change, major changes are usually rare.

While the best ways to save money will always involve old fashioned cost-cutting, obtaining a rewards credit card is still a good way to give yourself a virtual raise.

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About the Author

David R. Snell is the founder of the Consumer Freedom Alliance (CFA) and webmaster of its flagship site, SmartConsumerTips.com. He offers excellent advices and great tips regarding all aspects of [Rewards Credit Cards](#). While you are there, DO NOT forget to grab your own copy of "[The World's 8 Best Consumer Tips](#)" and save hundred hours of research.