



Due Credit

October 2004

Utilizing credit cards profitably

There are now 3 certainties in life: death, taxes, and a mailbox inundated with credit card offers. My wife's outstanding credit worthiness (and use) hasn't made our postman's load any lighter. But we are not alone: in 2003, 4.3 billion direct credit card offers were mailed – on average, 69% of U.S. households received 4.8 offers/month¹. While most of us are conditioned to 'file' these offers, perhaps it might pay you to take a closer look. VISA, Master Card, AMEX and others realize the U.S. consumer is much more financially savvy than in years past. Simply offering a low teaser interest rate with no annual fee has become commonplace. Now credit worthy shoppers want compensation in the form of free flights, hotels, discounted goods and, yes, cash. Card issuers have responded in kind – their rewards have become more creative and generous than ever.

In this month's *Fiscal Fitness*, we will review the do's and don't of credit card use as well as provide links to a few of the more "rewarding" credit cards we are aware of. Certainly, we are not advocating the reckless use of credit cards; this discussion pertains only to those disciplined enough to benefit from savvy use of such cards.

Credit Card Do's

- Read all fine print and terms. While the credit card issuers will market rewards, they often disguise pitfalls. Grab your bifocals and read about grace periods, interest rates, credit limits, and incentives.
- Retain statements and contact phone numbers/email addresses.
- Review monthly statements closely – mistakes and fraud DO happen.
- Pay off the balance monthly. Cards should be used for convenience, not for credit purposes
- Review annual credit card summaries to gain better insight on personal spending habits. Can be quite a conversation starter.
- Opt for the cash rebate credit cards. The air fare/product incentive based cards tend to be very expensive and restrictive. Just remember: cash is king.

Credit Card Don'ts

- Be swayed by low teaser rates – afterall, those are meaningless if you pay your monthly bill in full.
- Be induced to open multiple credit card accounts just to receive relatively cheap giveaways. This can damage your credit score and expose you to more credit than needed. The free sweatshirt isn't worth it.
- Avoid using balance transfer checks. Credit card issuers rarely grant incentives for them and know the potential for late/hidden fees rises.
- Don't use cash advances. The most expensive form of money available this side of the Sopranos. Explore use of a home equity loan instead. The rate is lower and interest is likely deductible.
- Avoid use of 2-cycle credit cards. This is basically a way for the credit card issuer to double count purchases and ultimately hit the consumer with high interest charges. Most reputable issuers do not use this method.
- Refrain from allowing teenagers to have their own credit card. They spend, you pay. It's the wrong lesson to teach your children. If needed, get your college kids a card for emergencies (and put a low credit limit on the card).

Top Incentive Cards

- For almost unlimited incentives (\$100/month) consider Capital One. <http://www.capitalone.com/indexa.php> Pays 1% on any purchase with excellent statements, customer service and incentives can be cashed in for airfare or cash. Wells Fargo is also introducing a card with multiple rewards at different at different point levels.
- For grocery and gas purchases consider the new Citibank Dividend Platinum card. Pays 5% on gas and groceries /1% on everything else (capped at \$300/year). Automatically sends you a check for \$100 after \$2000 in qualifying purchases have been made. Good specialized card. <http://www.citibank.com/us/cards/cardserv/divplat/index.jsp>
- For frequent travelers and small business owners, American Express has a vast stable of incentive cards with quality discounts. <http://home.americanexpress.com/home/open.shtml?openvan=open>
- For a combination of all the above, we've heard pretty good things about the Discover Card. Though I personally do not use it, I may investigate further. <https://www.novusnet.com/acqs/stdapp/req?cmd=splash&card=CBBP>

Obviously, this list is not exhaustive but rather a good starting point. The better deals are available to the most credit worthy consumers so step one is to improve your credit score. If you haven't done so recently, consider getting a copy of your credit report and review it carefully. Meanwhile, if you 'charge' across a better card, please let us know. Alternatively, if you would like to reduce the number of direct credit card solicitations you receive, simply call 1 888-5OPTOUT (no kidding).

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¹ 2004 Consumer Action credit card survey