



Want a Better Credit Card? Do These 3 Things ...

Description

Most people pick out credit cards like they pick out avocados: choose the best-looking one and hope for the best.

But every savvy credit cardholder (and avocado picker) knows that [getting the right credit card](#) takes a bit more skill than just plain old guesswork.

Yeah, sure, you can latch on to whatever credit card deal you get in the mail. But to determine whether that credit card is truly the best for you, you should keep an eye out for some fundamental things. Here are just three tips to follow when choosing the right card.

1. Don't dismiss annual fees

Look, I get it. For years I thought [a credit card with annual fees](#) was like opening the window of my car and tossing money out.

Then I did the math. I discovered that I could earn way more with a great [cash-back card](#) with annual fees than a plain old credit card. The higher rewards more than paid for the annual fee, leaving me with extra cash.

But you have to do the math to see if it works for you. If Card A, for instance, has an annual fee of \$120 plus 3% cashback on all purchases, you would need to spend at least \$4,000 per year to earn the \$120 back.

But that's not the full story. Next, you have to compare Card A with a similar card but with no annual fee. For example, let's say Card B has no annual fee and 2% cashback. When you spend \$4,000 on Card B, \$80 goes straight into your pocket. If you only spend \$4,000 per year, Card B would be the better deal.

At what point does Card A become more profitable than Card B? \$12,000. At \$12,000, you've earned \$360 in rewards on Card A, which minus the \$120 annual fee leaves you with \$240. Likewise, when

you spend \$12,000 on Card B, you earn \$240. If you think you can spend more than \$12,000 within a year, the card with an annual fee more than pays for itself.

2. Pick a card that meets your needs

Annual fee or not, the best card for you is the one that aligns with your financial goals.

For instance, if you're not in debt, and you have a good to excellent credit score, you probably want a credit card that has a lucrative rewards program, possibly one that helps you earn more on common expenses, such as groceries, travel, or gas. If you're looking to earn money while you spend, [a rewards card is ideal for you](#).

But maybe you're not ready for a rewards card. Maybe you made some mistakes in the past. Maybe you missed credit card payments, defaulted on a loan, or carried too much debt (hey, it happens). In that case, you probably want to get a credit card that helps you [rebuild your credit score](#). It won't be easy, sure, but after a few years of making payments on time, you could graduate with a rewards card.

Similarly, if you're carrying too much debt on credit cards, you could take out a [balance transfer card](#), especially one with a low introductory APR. The [lower APR](#) on these cards will help you put more money toward the principal, which, in the long run, will help you get out of debt faster.

3. Don't forget to look for hidden perks

Most people know about rewards points and cashback. But did you know credit cards also come with free insurances that can help you save money in a time of need?

The best credit cards have these kinds of built-in perks. But you want to dig into the details to see what the card offers. In particular, look for the following:

- **Price protection:** get a refund on an item that goes on sale after you bought it at the full price.
- **Trip cancellation/trip interruption insurance:** get reimbursement for pre-paid, nonrefundable trips that are cancelled ahead of time or cut short.
- **Extended warranty:** free coverage that extends the manufacturer's warranty.
- **Purchase protection:** repair or replacement warranty for items purchased within a certain period of time (usually 90 days).
- **Rental car insurance:** free coverage for accidents if you use the card to pay for a car rental.

Choose the best credit card for you

In Canada, there's no shortage of [great credit cards](#). So do a little research before applying for one. Figure out which credit card fits your needs, then use it to hit your financial goals.

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