



## Can a Credit Card Make You Wealthy?

### Description

Ordinary people can build wealth in surprisingly simple ways. Some live the “millionaire-next-door” lifestyle, forgoing status items — luxury cars, designer clothes, **Netflix** Premium — for a simple, budgeted life. Others invest in quality stocks, building wealth through compound interest.

But no matter the means of obtaining wealth, those who do it usually succeed by following prudent financial advice, austere spending limits, and a detailed budget.

In that regard, a credit card could be one among many financial practices that helps you build wealth. Sure, you may not become the next Warren Buffett with credit card points alone. But with good credit card habits, you could make the path to wealth less difficult for your household. Here are just three ways a credit card could help you.

### 1. Pay it off in full and on time

If you want to build wealth with a credit card, the first step is to avoid the biggest credit card trap: interest.

Credit cards come with extremely [high APRs](#) that kick in when you don't pay your full statement balance before its due date. Even carrying a small balance will nullify your card's built-in [grace period](#) and force you to accumulate interest charges.

As Warren Buffett has noted before, credit card interest is an investment in reverse. Instead of earning money over time, you're losing it. If you want your credit card to help you build wealth, then only charge what you can afford. Then pay it off.

### 2. Optimize rewards

Perhaps the most effective way to build wealth with a credit card is to make your credit card pay you.

[Rewards cards](#) and [cash-back cards](#) do this in slightly different ways. A rewards card gives you [points](#) or miles for purchases you make with the card, whereas cash-back cards help you accumulate cash that you can redeem for credit statements, gift cards, and cheques.

The [right credit card](#) for you depends on the highest expense category in your budget. For most Canadians, that category is likely food, gas, or possibly entertainment. Whatever that category is, look for a rewards or cash-back card that will reward you with higher points for it. For example, it's not rare to find a credit card that will give you a 3-5% earn rate on all food purchases, whereas a basic cash-back card may only give you 2% back.

### 3. Don't be afraid to use more than one card

Finally, if it benefits you, use more than one credit card, especially if each one has a purpose. For example, you may have one card that earns more rewards for food purchases, while another earns more for travel. If you're a foodie who likes to travel, having both cards will help you capitalize on both rewards.

## Get a credit card that helps you build wealth

As long as you don't carry a balance on a credit card, they can be a powerful tool in your wallet. Scan the [best credit cards in Canada](#), choose the best one for you, and start taking full advantage of its rewards and perks.

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