



Learn How to Use Credit Card Points Like a Pro

Description

There's no doubt that collecting [credit card](#) points can be exciting. The more you acquire, the more discounts you can receive on your favourite goods and services. However, it can be frustrating and confusing trying to figure out precisely how to use them. Naturally, you want to get the best bang for your buck, especially since you did all that shopping to amass them in the first place!

Luckily, it won't strain your brain to master the [rewards points](#) game. In fact, by knowing just one easy formula, you'll be able to instantly see whether you're getting a good deal or not.

Here's how you can use your credit card points like a true professional – and get maximum value each time you redeem.

How to identify a solid deal

Suppose you're not well acquainted with your credit cards rewards program. In that case, you should devote some time to studying it, as redemption policies surrounding points can be a bit tricky.

You can redeem [points](#) for various things, such as airfare, hotels, gift cards, clothing, groceries, electronics, and more. However, your points' value will differ based on what you exchange them for. By understanding your card's redemption rules, you'll be better equipped to assess the value of each rewards deal and whether it's worth giving up your points to obtain it.

The secret formula for determining whether you're using your points optimally is as follows: you must receive a *minimum* of 1:1 value for the redemption. What this means is that each point should translate to at least one cent in value. A couple of examples will help clarify this concept.

First, suppose you're wondering if you should exchange your points for an item worth \$50, which requires 3,000 points. Here's the calculation you would do to determine how good of a deal you're getting:

$\$50 / 3,000 \text{ points} = 0.016 \text{ cents per point.}$

Since this amount exceeds the 1:1 ratio, you're getting a favourable deal and should consider redeeming your points for the item.

Now, suppose there's another item you're interested in worth \$70, which requires 7,500 points. The calculation works out as follows:

$\$70 / 7,500 \text{ points} = 0.009 \text{ cents per point.}$

In this case, paying for the item by converting your points isn't ideal — you'd be better off using cash or credit.

You can apply this handy formula to any reward offered by your credit card's loyalty program.

The best way to use your credit card points

When it comes to getting the most out of your points, you almost can't go wrong with travel rewards. Generally, points are more valuable when you redeem them for travel-related expenses, including flight tickets, car rentals, vacation packages, and hotels.

You could further boost the redemption value of your points if you book your travel plans through your card's online travel portal, where exclusive deals abound.

Still, you should employ the formula discussed previously to ensure it's worth converting your points for specific travel rewards. Redemption rates vary widely depending on the destination you're planning to fly to, so it's best to save your points for high-cost routes where you can realize substantial cost savings.

It's also prudent to compare different categories of travel rewards. For example, redemption rates for airline tickets may differ significantly from hotel bookings. You may find that you're better off converting your points to cover a plane ticket rather than a few days' accommodations or vice versa.

If you're not planning a trip anytime soon, another great way to use your points is to redeem them for a gift card. Most of the time, you'll receive far more value out of a gift card as measured in dollars than if you used your points to purchase merchandise directly.

The worst way to use your credit card points

In general, redeeming your points for merchandise is a bad deal. You'll likely not receive the 1:1 value as you would with travel rewards and gift cards. Applying your points to retail items can devalue them considerably.

You're better off paying for merchandise by cash, or using your credit card, so you can earn more points rather than relinquish them.

Another redemption strategy some people employ is using their points to pay for purchases during

checkout to receive an instant discount on their balance. However, if you were to crunch the numbers, you'd quickly see that this isn't exactly an ideal option, either, as the value of each point will be worth much less than one cent.

Opting for a statement credit is also an enticing option. In rare cases, the redemption rates for credits are decent but still nowhere near as profitable as those typically offered on travel and gift cards; you'll usually get less than 1:1 in value.

Statement credits are valuable when redeemed on [cashback cards](#), but not so much on points cards.

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