



Buy Now, Pay Later or a Rewards Credit Card: Which Will Save You More This Holiday Season?

Description

Buy now, pay later (otherwise known as BNPL) is all the rage in the lending world. You break a massive purchase into smaller payments and then spread those payments over a few months to a year. And the best part — BNPL is pretty much free to use. What's better than that?

Yet, for as convenient as BNPL is, it has a few massive downsides. For one, you won't build a credit score with BNPL. The convenience and ease can easily make you overspend, and though you won't pay fees to use the BNPL service, making late or missed payments can be costly. Worse of all — BNPL *doesn't* offer you rewards in the form of cash back.

In light of this, BNPL providers could rob you of your ability to earn rewards this holiday season. On the contrary, they could help you save money. How's that possible? Let's take a look at when you should use BNPL to make purchases and when you're better off using a [cash-back card](#) or [rewards credit card](#).

When you should use buy now, pay later

I'd say the only time you should use BNPL services over your [rewards credit card](#) is when you're trying to avoid carrying a balance on a credit card.

Recall that carrying a balance on a credit card is extremely costly. When you don't pay off your statement balance by the due date, you'll end up paying interest on your unpaid charges. Your credit card provider will go back to the day you made your unpaid purchase, and they'll charge interest (calculated from your card's APR) for every day you don't pay it off. That can be pretty hefty — *much* heavier than buying something with a BNPL app.

With BNPL, you can split large holiday gifts into manageable monthly payments, without having to deal with interest or fees. Some BNPL providers will even allow you a week or so to catch up on a late payment without penalizing you. It can be convenient for shoppers who have irregular income — those

freelancers or self-employed persons who sometimes need to rely on debt to make holiday purchases.

Of course, if you want to help your credit score, you can look into taking out a credit card with a low promotional APR. These cards will charge a fairly low interest rate for a specific period of time, say, 12 months. Some will even let you earn cash back on your spending, which you can credit to your account, helping you pay down your balance.

When you should use your rewards or cash-back card

If you're able to pay off your monthly balance before your statement's due date, by all means, forget the BNPL services and buy gifts with your rewards or cash-back credit card. The BNPL services may be convenient (they're usually right there by your online cart), but they won't help your finances one bit.

With a [rewards card](#) or [cash-back credit card](#), you can continue to improve your credit score while also earning rewards on your purchases. Many rewards credit cards come with lucrative sign-up bonuses, too, which you can easily snag with even the lowest of holiday budgets.

Your rewards credit card could also come with valuable shopping insurance, too, such as price protection or extended warranty. This could come in handy if your gifts arrive damaged or they're lost in the mail.

Again, if your holiday spending is going to push you over budget, a BNPL service could prevent you from paying high APR charges on credit cards. Otherwise, there's no question about it — forget about BNPL and get the rewards from [one of Canada's best rewards or cash-back credit cards](#).

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Date

2025/06/30

Date Created

2021/11/03

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