



Here Are the Absolute Worst Ways to Redeem Your Credit Card Rewards

Description

Let's be real: [rewards cards](#) are great, but their [reward structures](#) can be notoriously complex. The value of your points or miles depends on how you redeem them, and if you're not strategic, you could easily devalue your rewards by redeeming them in the wrong way.

That said, there are some redemption options that almost always devalue your points or miles. To help you use your rewards card more strategically, here are three of the worst redemption options out there.

1. Cash back

If your card is built to earn miles or points, redeeming them for [cashback](#) is generally a big waste of your hard-earned rewards.

Take the [American Express Cobalt Card](#), for instance. When you redeem your Amex points for travel purchases, you typically get around \$10 for every 1,000 points. That's around \$.01 per point, which is standard. If you redeem those same points for cashback, you'll get around \$.007 per point. For 1,000 points, you'd get \$7 back, \$3 less than if you had used them to buy a flight.

Not every rewards card devalues your points for cash-back redemptions. But you'll want to double-check your point system before you go through with it.

2. Points at checkout

When you give your credit card information to certain e-commerce merchants, you'll often see an option at checkout to redeem your points to cover a purchase. Doing so can be extremely tempting. After all, who doesn't want to see their total balance decrease?

But redeeming points at checkout can be a major waste of rewards. Often, when you redeem points in this way, you don't get a 1:1 value (meaning every point is worth at least one cent). Instead, you'll get a fraction of a cent for each point.

Again, it pays to know your credit card's reward system. If your card is built for cash back, then redeeming cash back at checkout may result in a 1:1 ratio. If your card is a rewards credit card, then you're probably not going to get the full value for your points.

Instead of redeeming points at checkout, use a [cashback](#) card to earn cashback on your shopping. Then, use whatever cash you earn as a statement credit on your account. This ensures you don't waste your rewards on retail purchases, while also helping you maximize cashback on online shopping.

3. Merchandise

Finally, your [credit card issuer](#) may let you exchange points for certain products, such as laptops or smartphones. Again this can be super tempting. You see something pop up in your credit card account. Your card issuer lets you know you have enough points for the product. All you have to do is exchange them.

Unless the ratio is 1:1, you're better off skipping the catalog items. More often than not, you'll get far less for your points when you buy products directly through your credit card issuer.

Should you ever redeem your points for cashback, merchandise, or points at checkout?

The only time I'd recommend redeeming your points for less than a 1:1 ratio is if you're about to lose your points. That could mean your points are going to expire. Or you might be considering closing your credit card account. In these cases, you might as redeem them rather than lose them forever.

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