



# Rewards Points Become Worthless Over Time. Here's What Happens When You Don't Use Them

## Description

Credit card rewards aren't like stocks: you don't want to hold on to them for the long-run. Though amassing rewards points or cash back to save up for a vacation or big purchase is okay, hoarding them for no purpose can actually work against you. How does that work? Well, let's look at the three big reasons why rewards points can become worthless over time.

## 1. Inflation

Perhaps the biggest problem with hoarding rewards points is inflation. Yes, just like inflation can erode the power of a dollar, it can also erode the power of your rewards points.

Unlike stocks and interest-earning accounts, whose earnings can potentially outpace inflation, rewards points have no rate of return. If you have \$200 in rewards points this year, then guess — next year, you'll have the same \$200. You might earn more points in a year, sure, but the earnings themselves aren't growing.

Instead, they're contracting. The longer you hold on to your rewards points, the less value they technically have. If you earned a \$200 sign-up bonus last year, for instance, then you could only buy around \$190.60 worth of stuff today (factoring in our historically high 4.7% inflation). Let that sink in for a second.

## 2. Devaluation

If your rewards points are worth \$200 today, then they'll be worth \$200 tomorrow, right?

Think again.

Your credit card provider is under no obligation to preserve the value of your rewards. In other words, they can devalue your points at any time.

In fact, devaluation often happens alongside inflation: as things get more expensive, your credit card issuer may ask you to spend more points for certain exchanges. For instance, your credit card issuer may have agreed to let you exchange 30,000 miles for certain flights. But now that travel is a bit more expensive, they could ask you for 35,000 instead.

What's worse is that your credit card issuer doesn't have to tell you when they devalue your points. So your reward points could be slowly losing value, and you wouldn't be aware of it at all.

### 3. Inactivity

Finally, you might not just lose points to devaluation or inflation. You might *literally* lose your points if your account is inactive.

Your credit card issuer can legally close a line of credit if you're not actively using the card. Every credit card issuer will have different guidelines for when they close accounts, but typically if you haven't used your card in 12 months or more, your account could be closer.

Not just that but if you don't use your points for a certain amount of time (again, different for each issuer), your credit card provider could vacate your rewards.

### Foolish bottom line

Again, I'm not against saving rewards points, if you have a purpose for them. It's okay to hoard travel points, for example, if you're trying to cover an around-the-world trip. Just know that the longer you hold on to your rewards points, the less purchasing power you have. Likewise, if you stop *using* your rewards credit card, you might forfeit your points altogether.

If you're earning rewards at a tortoise speed, you might want to find a [rewards credit card](#) or [cash back card](#) that helps you earn points or cash faster. In fact, if you find the right card, that is, the card that aligns with your spending habits, you could amass more points without spending any more. Take a look at the earn rates on some of [Canada's best credit cards](#) and see if you can find one that matches your budget better.

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