



## 4 Ways Credit Cards Could Make You Richer

### Description

Credit cards often get a bad rap. Seen as a “debt provoker,” they’re not often associated with the very wealthy. But when used correctly, credit cards can bolster other means of building wealth, like buying real estate or investing in stocks. You might not become the next Elon Musk with credit cards alone. But with good credit card habits, you can make the path to wealth less difficult. Here are just four ways credit cards could make you richer.

### 1. Build credit

When used responsibly, credit cards are one of the most effective ways to build and strengthen your [credit score](#).

Of course, the keyword there is *responsibly*. A responsible credit card user pays only what they can afford to the card, pays their bills on time, and refuses to carry a balance. They don’t max out their [credit limits](#), nor do they apply for too many cards at one time. They use their card strategically, maxing out rewards, without spending more than their budget permits.

If you can keep your [credit utilization](#) low, you’ll start to see a big difference in your score over time. And the better your score, the better you’ll fare financially. Mortgage lenders, insurance providers, and even some landlords use your score to gauge how responsible you are as a borrower. With a higher score, you might get lower interest rates on loans and insurance premiums, or even secure better rewards cards with higher earning potential.

### 2. Earn rewards

Perhaps the most effective way to build wealth with a credit card is to make your credit card pay you. And that means earning *rewards*.

[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% bonus rate on all food, whereas a basic cash-back card may only give you 2% back.

### 3. Invest your rewards

One commonly overlooked credit card trick is to transfer cash back into a [brokerage account](#) and then use it to buy high-quality investments.

You could do this in a number of ways. Some credit card providers will actually let you transfer rewards directly from your credit card account to a brokerage. Others don't provide this option but give you a number of indirect means to fund your brokerage account, such as receiving a check in the mail, or cash in your chequing account.

Once you transfer your cash back into your broker account, you can then buy stocks or shares in an ETF or index fund. Since this is basically free money, don't hesitate to buy growth stocks or micro-caps, especially if you're confident a stock has potential to explode. Using a \$200 cash-back voucher to buy, say, a new bike is one thing. Buying a stock that grows 10 times its value over the long run — that's an extra \$2,000 toward your retirement.

Whatever you choose to invest in, make a habit of transferring your rewards into your brokerage account, perhaps biweekly or monthly. It doesn't matter how low your rewards are: the sooner you invest it, the sooner you can make your earnings work harder for you.

### 4. Welcome bonuses

This is literally free money — like, no strings attached, no crazy game shows, no double-dog dares, no NTF speculation ... nothing but spending a certain amount of money within a specific period of time.

Of course, you don't want the welcome bonus to encourage extra spending. If it does, you're not *really* getting an extra "bump" in your savings. Most welcome bonuses, however, have spending thresholds that are low enough for the average Canadian shopper to hit without the need to go all out in their shopping.

## Get a rewards credit card that helps you build wealth

Credit cards can be a powerful tool in your wallet. Take a look at some of 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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