



## Don't Get a CIBC Costco Mastercard Until You Consider These 5 Major Weaknesses

### Description

The **CIBC Costco Mastercard** is now Costco's official rewards card. And though this no-fee credit card comes with some serious perks — like 3% at restaurants, 3% at Costco Gas, and 2% for Costco.ca purchases — it comes with severe weakness, too. For those who are thinking about buying a Costco membership to apply for this card, here are some weaknesses to take note of.

### 1. No bonus rate for Costco in-store purchases

When CIBC announced its partnership with Costco way back in 2021, I thought for sure they would add a bonus rate for Costco purchases. After all, this *is* a Costco rewards card: why should we earn 0.5% (the old **Capital One** earn rate) on purchases we make at Costco warehouses?

Well, CIBC *did* give us an earn rate for Costco purchases. But it only went halfway: instead of earning more money for all Costco purchases, you can earn 2% back on Costco.ca, up to \$8,000 spent. For purchases made in-store, however, you'll earn cash back at the card's base rate, which is 1%.

That's not bad. But it's not good enough.

In fact, if you wanted to earn *more* money back, all you would need is a cash back or rewards card with a base rate that's higher than 1%. And when you look at Canada's best credit cards, you'll notice that it's not uncommon for a card to earn at least 2% back.

### 2. Once-per-year Costco vouchers

The CIBC Costco Mastercard has one redemption option: you receive your cash back in the form of a Costco voucher once per year, which you can spend in Costco stores. That means, you can't use your cash back as a statement credit, nor can you exchange it for gift cards or cheques or even a deposit into your chequing account.

Those who shop frequently at Costco may not mind this once-per-year redemption. But for those who want more flexibility, this is certainly one of the card's most annoying weaknesses.

### 3. No rental car insurance

This is a minor weakness. But it's important to highlight: the CIBC Costco Mastercard does not come with rental car insurance.

Most rewards credit cards come with some level of rental car insurance. Often if you charge a rental car purchase to the card, you'll have collision and damage loss coverage, which could come in handy if you have an accident.

But the CIBC Costco Mastercard doesn't come with it. So, for car rentals, you'll definitely want to use a different credit card to cover the rental.

### 4. Earnings caps on gas and Costco.ca

The CIBC Costco Mastercard has three major bonus rates:

- **Restaurants:** 3% back
- **Gas:** 3% back at Costco Gas stations and 2% back at other gas stations
- **Costco.ca:** 2% back for all online Costco purchases

Of these three bonus rates, only the first is unlimited, meaning you'll earn 3% back on restaurant bills for the life of the card (or until CIBC changes its policy). The other two bonus rates, however, have caps.

For the gas bonus rate, you'll earn at 3% or 2% up to \$5,000 spent collectively between them. Once you charge \$5,000 in gas to your card, your rate will decrease to 1%. That means, at most, you could earn \$150, if you bought only Costco gas.

As for the Costco.ca rate, you can earn 2% up to \$8,000 spent, or \$160 earned. After that, your card will earn 1%.

It's not bad. But it certainly puts a damper on the card.

### 5. You need a Costco membership to apply for the card

Finally, this might be obvious, but it's worth stressing: the CIBC Costco Mastercard is a no-fee credit card — as long as you're a Costco member.

That means you'll have to spend \$60 for a Costco membership. If you're already a member, that's not a big hurdle. But for non-Costco members looking for a no-fee rewards card, spending \$60 to use this card might not be the smartest choice.

For those who don't shop frequently at Costco, I'd recommend other rewards or cash-back cards,

especially those that earn more for food and gas. Of course, if you do shop frequently at Costco, then, yes you should probably have this card in your wallet. It won't cost you anything extra, and you can earn Costco cash for your typical spending.

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