



## Capital One Costco Mastercard Review

### Description

## Our bottom line on the Capital One Costco Mastercard

The card's lack of annual fee, high cashback rate on restaurants and gas, and relationship with Costco do make it shine. But other cashback and rewards cards offer better earn rates and more flexible redemption. And with the Capital One / Costco partnership ending in 2021, it may not make much sense to take on this card now.

Update: [CIBC will be the new Costco Mastercard partner](#), with a new card due out in 2022.

## What's great about this card

### Good cashback rates

For a card with no annual fee, the cashback rates are pretty stellar. With a Capital One Costco Mastercard, you'll earn 3% on all restaurant purchases, 2% on gas, and 0.5% everywhere else. The 0.5% base rate isn't on par with most [cashback cards](#), though after you spend \$3,000 in any given year, the rate bumps up to 1%.

### Unlimited earn potential

Unlike some cashback cards with high earn rates, the Capital One Costco Mastercard has no cap on the amount you can earn.

### No annual fee

You'll pay nothing to take out a Costco [Mastercard](#). The only "fee" you'll pay is the annual cost of your Costco membership. Without a Costco membership, you won't be able to apply for this credit card.

## Doubles as a Costco membership card

With the Costco Mastercard, you won't have to worry about carrying around your Costco membership card. Your credit card *is* your membership card.

## Get a slew of complimentary insurances

One of the best parts of this card is free insurance that's built into it. For a card that charges no annual fee, it's fairly comprehensive. Here's what comes with it.

- Price protection (\$500 per year)
- Extended warranty (two additional years)
- Purchase protection (120 days)
- Travel accident insurance (up to \$250,000)
- Baggage delay insurance (\$300)
- Rental car damage and theft coverage
- 24/7 travel assistance
- Anti-fraud protection

## What's not so great

### A low base earn rate

The card has a generous earn rate for restaurants and gas. But the flat rate is, well, flat. You'll earn 0.5% on all non-category purchases up to \$3,000. Once you spend \$3,000, your flat rate will jump to 1%, though even 1% isn't something to get excited over. Most [cashback](#) and [rewards cards](#) offer 1% as the opening rate, with some offering 2%.

### No extra rewards for Costco purchases

Perhaps the biggest shortcoming with this card is the lack of extra cashback for purchases made at Costco. Most co-branded and retailer credit cards offer at least a percentile higher than the base rate for purchases made in-store.

### No welcome bonus

Another disappointment is the lack of a sign-up bonus. Amassing a large number of points, miles, or cashback is often one of the most exciting parts of opening a new credit card. If that's something you want, you won't find it with a Capital One Costco Mastercard.

### Cashback rebated once per year

The Capital One Costco Mastercard has only one redemption option. Every January, Capital One will send you a coupon with your earnings from the year before. You can then use this coupon on Costco purchases (redeemable at the cashier).

What's worse is that if you cancel your Costco membership halfway through the year, your card will be cancelled as well. That means you could potentially lose your earnings. At the very least, you'll lose the ability to redeem them, as you must be a Costco member to make purchases in Costco stores.

## The Costco-Capital One partnership is coming to an end

At the end of 2021, Costco will no longer partner with Capital One. While we don't know what the future looks like for Costco credit cards, we can assume this: you probably won't be able to use your Capital One Costco Mastercard after this year.

## How it compares

With no annual fee — aside from the Costco membership fee — it's hard to beat the 3% cashback on restaurant purchases and 2% back on gas. If you spend a large amount in those spending categories, having a Capital One Costco Mastercard in your wallet can help you earn some serious cashback.

The card *does* have a few major limitations, however. For one, you'll get your card's cashback just once a year. On top of that, your cashback will be in the form of a Costco coupon. While you might be able to redeem this coupon for cash at your local Costco store, you won't be able to get a statement credit, gift cards, or a mailed cheque.

Finally, the Capital One Costco Mastercard has a time horizon. You basically have from now until the end of the year to use it. After that, the partnership between Costco and Capital One will end, and you probably won't be able to use your card.

## Unlimited earn potential

Unlike other cashback cards, the Capital One Costco Mastercard has unlimited earnings potential. And, with a 3% rate on dining out, along with 2% on gas, that can translate into some major earnings for the average Canadian.

Since you know the partnership will end, one thing you can do is use this card in conjunction with others. For example, you may have other cashback cards with caps on how much you can earn on gas and restaurants. If that's the case, use your Capital One Costco Mastercard over the next few months. Maximize your rewards on that card, and when the partnership ends, you can switch to your other cashback cards.

## How do you apply?

To apply for the Capital One Costco Mastercard, you first need a Costco membership number. If you

already have a Costco membership, applying is simple. You can fill out an application online, or you can apply for your card in a Costco store. Once you fill out the application, Capital One will let you know if you're approved (usually instantly). At that point, you just have to wait for your card to arrive.

## Who should get this credit card?

The Capital One Costco Mastercard is a great fit for Costco members who spend a great deal of money at gas stations and restaurants. In addition, if you want your credit card points to go toward Costco purchases, the once-per-year rebate will give you a lump sum to spend at Costco warehouses. Finally, if you're already a Costco member, this card could simply replace the membership card you already carry.

All in all, for a card with zero annual fees (unless you count the Costco membership fee), this credit card isn't a bad deal. That said, the earn rate is pretty low. For everyday purchases, you'll earn between .5% and 1%, which is nothing to brag about.

Most of Canada's best credit cards earn 1% to 2% on everyday purchases, with even higher earn rates for certain spending categories. Though the card comes with some hefty insurance coverage, the fact that you earn the same cashback for Costco purchases as non-Costco purchases is also a bit disappointing.

If you're looking for a new cashback or rewards credit card and you're concerned about the Capital One / Costco partnership coming to an end, or if you have a Capital One Costco Mastercard and are looking for a good replacement when the partnership ends, you can always check out The Motley Fool's picks for the [best rewards credit cards](#) and the [best cash back credit cards](#).

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