



Rewards Cards vs. Cashback Cards: Which Is Better?

Description

Are you in search of a [credit card](#) to add to your arsenal of spending tools? If so, you've probably pondered the question of what [type of credit card](#) to get. There's a wide array of brands available, so you're spoiled for choice. But with so many options, it can be a little overwhelming selecting one that's right for you.

One way to quickly trim the list is to decide whether you'd like a [rewards card](#) or [cashback card](#). Both types of cards have their advantages and [disadvantages](#). However, depending on your needs and preferences, one may be more suitable for you than the other.

Let's dig in to see how the two cards fare against one another.

Pros of reward cards

If you use a rewards card frequently and strategically, you can save a considerable sum of money on your favourite merchandise. You may also be able to exchange your points for a gift card, providing you with even greater value and flexibility.

Travel rewards cards are particularly enticing – they can net you immense savings on your globe-trotting adventures. You can redeem travel points to obtain discounts on airfare, accommodation, and vacation packages. Some also offer extra perks, such as car rental coverage, free travel insurance, airport lounge access, and concierge services.

When it comes to welcome bonuses, rewards cards can be mighty generous, offering several hundred dollars worth of points just for signing up. Some cards also grant you additional bonus points if you hit a specific spending target within a few months of activating your account.

Cons of rewards cards

Navigating your way around the rules of a credit card's rewards program can be a formidable task. You

can quickly get confused and exhausted trying to grasp how points are collected, transferred, and redeemed.

Rewards points have no fixed cash value, so estimating their worth in dollars can get cumbersome – and your card issuer retains the right to alter their value at any time. Points may expire if unused for an extended period and your card issuer may garnish them if you fall behind on your payments.

In addition, rewards cards can be expensive. Steep [annual fees](#), interest charges, and various transaction fees are not uncommon and can quickly add up. Although low-fee and no-fee rewards cards are available, the perks they provide are lacklustre compared with their pricier counterparts.

Pros of cashback cards

The most beneficial aspects of these cards are simplicity, transparency and convenience. Your reward is a periodic cash deposit into your bank account, which you can use for whatever you wish. It's as simple as that. There are no confusing terms and conditions to decipher, nor are there any onerous rules governing the redemption, transferability, or dollar value of points.

Cashback cards are typically cheaper when it comes to fees, and many offer attractive 0% introductory [APR](#) deals, which can be helpful if you're looking to finance a large purchase.

Cons of cashback cards

If you're looking to maximize the value of your points, a cashback card will likely leave you disappointed. They usually offer less bang for your buck than a rewards card. Points typically provide you with deeper discounts when you redeem them for goods and services rather than cash, especially if you use them to cover travel-related expenses.

Cashback cards tend to skimp on secondary benefits that rewards cards typically provide, such as complimentary travel insurance or car rental coverage. They may also come with earnings caps that restrict how much of a rebate you can earn over a specific time frame. And sign-up bonuses are generally smaller than those offered on rewards cards, as well.

Which is the better choice? A rewards card or a cash back card?

There's no absolute rule that dictates which type of credit card is superior. Both are tailor-made to appeal to specific consumer and spending needs, and each. It's up to you to decide what features and benefits you find most valuable.

Consider your lifestyle, spending habits, and financial goals before making your decision. Are you looking to maximize your rewards points to obtain sizable discounts on things like airfare? Or, do you prefer a low-maintenance card that offers instant cash savings on your day-to-day spending? Asking yourself these types of questions will help you determine which card will work best for you.

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Date

2025/08/14

Date Created

2021/07/08

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