



## The Eight Types of Credit Cards

### Description

When it comes to credit cards, there are plenty of options at your disposal. Whether you're looking to rack up a slew of [rewards points](#) for your next vacation, earn discounts on your groceries, or just have access to credit in case of an emergency, there's sure to be a credit card that's perfect for spending needs and financial goals.

With a seemingly boundless array of cards to choose from, it helps to sort them into broad categories. From there, you can whittle down the list and select the one that's best for you.

## The eight types of credit card

Here are the eight most common types of credit card you may encounter:

- Standard credit card
- Rewards credit card
- Cashback credit card
- Travel rewards credit card
- Secured credit card
- Balance transfer credit card
- Zero percent intro APR credit card
- Retail credit card

### Standard credit card

Standard credit cards allow you to charge purchases up to your [credit limit](#), but that's pretty much it. They're devoid of perks and don't allow you to collect any rewards. Easy to use and understand, these bare-bones credit cards are ideal for those looking for a starter card or those who use credit sparsely and aren't concerned with garnering points, cashback, or other benefits.

## Rewards credit card

A [rewards credit card](#) allows you to collect points on your everyday spending, like gas, groceries, and restaurant meals. You can then redeem these points to earn discounts on merchandise, obtain statement credits, or purchase gift cards.

If you're looking to acquire a rewards credit card, ensure you examine the card's policy governing how points are earned and redeemed. Typically, you're awarded points based on a certain percentage of your spending, which may vary depending on the type of purchase you make (groceries vs. fuel, for example). Temporary promotions offered through your card's rewards program may earn you bonus points on spending in select categories or when you shop at a specific merchant, as well.

## Cashback rewards credit card

As the name implies, [cashback credit cards](#) reimburse you for a certain percentage of your spending in cash. You can choose to have this cash deposited in your bank account or applied to your statement as a credit. Much like rewards cards, the amount of cashback points you accumulate will vary based on the category of spending. However, some cashback cards utilize a single flat rate for each type of purchase.

If you're looking for an easy and convenient way to realize savings on your everyday shopping, cashback credit cards are the way to go.

## Travel rewards credit card

If you're passionate about exploring the world, a travel rewards credit card could serve you well. These credit cards enable you to earn rewards points, typically called "miles," geared specifically for travel. You can redeem them to cover various travel-related expenses, such as flight tickets, car rentals, and accommodation.

Other perks travel credit cards may offer include airport lounge access, airline fee credits, waived baggage fees, priority check-in, trip cancellation insurance, rental car insurance, and more.

## Secured credit card

A [secured credit card](#) functions very much like a regular credit card, but with one exception: you must put down a lump sum payment as collateral before you can use it. Should you fail to make your payments, the card issuer can seize these funds to cover the outstanding balance on your card.

Secured credit cards are used primarily by consumers to revamp their credit score or build a credit history. Once a borrower has sufficiently improved their credit score, they can close their account, retrieve their security deposit, and upgrade to a regular, unsecured card.

## Balance transfer credit card

[Balance transfer credit cards](#) offer a low or zero percent interest rate on any existing balance you transfer to them. By consolidating your credit card debt at a lower rate, you can save a significant amount on interest charges.

The discounted rate lasts only for a short period, after which the higher default rate kicks in. As a result, you should strive to pay off your balance in full during this critical time frame. Balance transfer credit cards generally charge a balance transfer fee, as high as 4% of the amount transferred.

## Zero percent intro APR credit card

Not surprisingly, credit cards that offer zero-percent [APRs](#) are attractive, especially if you're planning on financing a sizable purchase. You could save a substantial amount on interest charges.

As with balance transfer cards, the zero percent APR rate won't last for long – it usually expires after 12 to 18 months. Therefore, paying off any outstanding charges you accumulate during this period is crucial.

## Retail credit card

Retail credit cards allow you to earn rewards, cashback, miles, and other perks for shopping you do at retail establishments. These cards are usually the result of a partnership between a retailer and a financial institution. However, some are issued directly by retailers.

They work in the same manner as a regular credit card, except they're restricted for use at specific stores. Retail credit cards usually charge exceedingly high interest rates, so be sure to monitor your spending.

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