

For immediate release
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Airport lounge access, flight upgrades and cash-back offers: Are rewards credit cards worth it?

- ➔ New research unveils Aussies would be \$625 better off with a non-rewards credit card
- ➔ Average purchase rate of rewards card is 19.58%, rate for non-rewards card is 14.65%
- ➔ 4 tips to get the most out of a rewards credit card

25 January, 2017, Sydney, Australia – While rewards credit cards offer complimentary extras and money-saving features, Australians may be financially better off with a non-rewards credit card, according to new research by finder.com.au, Australia's most visited comparison website¹.

The finder.com.au analysis of over 300 credit cards illustrates the cost difference between rewards versus non-rewards credit cards, taking into account average purchase rates and annual fees.

On average, for a rewards card, account holders pay \$182 in annual fees, and a purchase rate of 19.58%. This equates to a cost of \$1,728 when repaying the average credit card balance of \$6,298² over two years.

However a non-rewards card has an average annual fee of just \$49, and a purchase rate of 14.65%, which works out to be only \$1,103 in fees and interest over the same period.

The study found credit card holders would be \$625 better off when signing up with a non-rewards credit card, compared to a rewards credit card.

¹ Experian Hitwise since 2015

² The average credit card balance is \$3,149 and most cardholders have two or more cards

Annual cost paying of the average credit card balance of \$6,298 in two years*.

	Average purchase rate	Average annual fee	Total cost over one year
Rewards Card	19.58%	\$182	\$1,728
Non-Rewards Card	14.65%	\$49	\$1,103

Source: finder.com.au. *Not taking into account interest free periods or balance transfer deals. **The average credit card balance is \$3,149 and most cardholders have two or more cards.



Bessie Hassan, Money Expert at finder.com.au says rewards credit cards can be useful when used responsibly, but they do have drawbacks.

“Whether it’s earning bonus points, making the most of airport lounge access, or clocking up frequent flyer points, rewards credit cards offer unique perks and benefits.

“However, rewards cards often have a higher purchase rate attached and a higher annual fee and other account-keeping fees, so weigh up your options to see what type of card will benefit you most,” she says.

Currently, the average interest rate for a card with a rewards program is 19.58%, compared to 14.65% for a non-rewards credit card.

“If you have a lot of existing plastic debt and you’re not in a position to make the most of complimentary extras, a non-rewards card may be more suitable,” she says.

Ms Hassan warns borrowers to practice due diligence when [considering a rewards credit card](#), and to look out for traps.

“If you’re withdrawing money from an ATM, you may be charged interest at the cash advance rate, which could be around 22%, so try to avoid this if possible.

“Look at the points per dollar ratio. Most products offer at least 1 point per \$1, but this may vary depending on the provider and the program type. Some providers may also implement a limit on the amount of points you can earn over a given period,” she says.

Among all credit cards available on the market, the average purchase rate is 17.28% and average annual fee is \$123.

Tips to get the most out of credit card rewards:

- **Watch out for fees.** If you’re planning on using your card for a cash advance transaction, such as withdrawing funds from an ATM, you may be [charged interest at the cash advance rate](#), which could be as high as 22%. Some providers may also charge a foreign transaction fee which is approximately 2 - 3.5% of the transaction amount, so keep this in mind if transferring funds overseas.

- **Keep your eyes peeled for reward program updates.** Always check your product disclosure statement and any correspondence from your provider to make sure you're up to speed with the rewards program.
- **Opt for a no annual fee rewards card.** A \$0 annual fee rewards card can help you trim account fees, but just be mindful that you're still likely to be charged a higher purchase rate compared to that of a non-rewards product.
- **Review redemption costs.** When comparing rewards credit cards, consider redemption costs as some options provide greater value than others. For instance, when earning one point per dollar, card holders need to spend over \$8,000 in order to claim a \$50 in-store voucher, however greater value may be earned by exchanging points for a domestic flight.