FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

Issue #290
September 4, 2026

Credit Cards

At a time when almost everything has become expensive (often egregiously so), you can usually reduce the net cost by quite a bit by using credit cards that offer rewards. Over several decades, I have received many thousands of dollars worth of rewards.

First things first: If you don't pay off the full balance of each of your credit cards every month via automatic payments, then don't use a credit card until you get this squared away, because the late fees and exorbitant interest rates will eat you alive.

Second, don't use a credit card that charges you an annual fee, as credit is basically a commodity and there are many no-fee credit cards available.

I prefer credit cards that give me cash back (at least 1.5%), as it's easier to understand, cash is always useful, and there is much less opportunity for bullshit gimmicks by the credit card company. My primary credit card (a Visa card issued by a credit union) provides 2% cash back on all purchases.

BTW, I recommend that you have any cash rewards automatically applied to your credit card balance if possible so you don't have to remember to redeem the rewards.

Now 2% cash back is a great deal, but we're just getting started. I have a Chase Visa card that provides 3% cash back on purchases at gas stations, restaurants, home improvement stores, drugstores and office supply stores, and I only use that card to make such purchases. I'm no fan of JPMorganChase, but if they want to offer such a deal, I'll take it.

I order a lot of products from Amazon (especially via Subscribe & Save), so I have a Prime membership and use a Chase Visa card that provides 5% cash back towards future Amazon purchases. Often when you place an order, Amazon will offer 6% cash back if you're willing to delay delivery by up to several days, and if you place an order during one of their busy periods (such as near Black Friday or an Amazon Prime Day), they might offer 7% cash back. You can choose which purchases you apply the rewards to; I avoid applying them to business-related purchases since I want to be able to deduct the full price.

My latest credit card is a Mastercard that provides 3% cash back on all purchases made from Apple.

The two Chase Visa cards above also offer discounts when you use your cash back to buy gift cards from select retailers that range from uncommon to obscure. It can be a good deal if you regularly patronize one of the retailers and remember to use your gift card.

Wait, you say, what about the miles you earn from using a certain credit card? Well, what does “miles” mean? I remember when I applied for my first frequent flyer card 30 years ago, and discovering that “miles” had nothing to do with the actual miles that you flew. So what does it mean? It's a notional construct that's designed to obfuscate the situation so that consumers can't understand how bad the deal is relative to more straightforward cash back offers. I've heard people brag about how they paid for a flight or a hotel stay with their “miles” or “points,” but at what cost? Who knows? And because these terms are meaningless, the issuer can (and has) increase the number of miles or points you need to pay for various items.

I know when each of my credit cards close out for the month, so if I'm planning to make a large purchase and can wait a while, I'll time my purchase to right after when the card closes out for the month. This allows me to “work the float”: I have the use of my cash and the bill isn't due for several more weeks.

Sometimes stores that sell big ticket items such as furniture will offer a great financing deal (e.g., $0 down and 0% APR for a year or more if you pay in full by the due date) if you sign up for their store card. They hope you'll forget about the due date or won't be able to pay it off by then. Car dealerships such as Subaru are currently offering 0% APR for 48 months (which is a good deal, though check the sales price). Generally I'm not a “buy now, pay later” kind of guy, though I'll take advantage of deals like this if I'm sure I'll have the cash to pay for it in full by the due date.

I recommend that you don't sign up for store cards where you may make minor, occasional purchases (such as Macy's), as it's just one more thing to keep track of and one more vector that a thief could use to steal your money, credit or identity.

For the credit card you use for general purchases (other than Amazon, gas, restaurants, hardware stores, etc.), you should have a public card and a private card. Use the private card to pay your recurring monthly bills from a limited number larger, established vendors that have a low probability of being hacked, and use your public card for purchases from all other vendors. That way, if your credit card becomes compromised, it shouldn't affect your monthly payments to your utility providers (changing the card you have on file with them after a card is compromised can be a time-consuming chore).

You shouldn't use a credit card to pay for nearly everything, however. In recent months and years, a growing number of merchants (generally gas stations and smaller restaurants) have become fed up with the high fees that the credit card companies charge them, and have started offering a price that's three to five percent lower for customers who pay with cash. As I related five years ago, there's a war on cash, so use it or lose it.

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Before starting a new diet or exercise regimen, you should consult with a doctor, nutritionist, dietician, or personal trainer.