



How to Cash In on Cash-Back Credit Cards

CR finds the card combos that can save you hundreds of dollars per year

By Amanda Walker
August 04, 2017

Before you throw away any more of the credit card offers landing in your mailbox, take note: You might be overdue for a credit card makeover. Adding a new card or two to your wallet can reward you for your spending or win you valuable new benefits, such as cell-phone insurance. Yet 20 million consumers have never changed their preferred credit card, and an additional 25 million have held on to their favorite card for at least 10 years, according to a 2016 CreditCards.com survey.

Among the most popular rewards is cash back for purchases. About half of all credit cards that offer rewards now offer cash back, up from around 25 percent in 2013. “Some of the cash-back credit card programs being offered today are the most lucrative we’ve ever seen,” says Marc Bellanger, senior strategy director with Merkle, a marketing agency that works in the credit card and banking industry. (For non-cash-back cards with generous rewards, see “6 Cards With Other Benefits Worth Considering,” below.)

Unlike cards that compensate you with points or miles that can be redeemed only for merchandise or travel, cash-back credit cards refund a percentage (typically 1 to 2 percent, but up to 6 percent) of your charges, usually in the form of a statement credit, a check, or a deposit into your bank account.

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The way they work is simple, but finding the card that's right for you may not be. Some cards reward a flat rate back on all of your purchases; others give you a modest percent back on some categories of purchases and a higher percent back on others, such as gas or groceries. Sometimes the amount you'll get back changes each quarter. And some cards offer big bonuses if you spend a certain amount within the first few months. In terms of costs, there are cash-back cards that charge an annual fee and others that require you to maintain another account at a particular financial institution, so you also have to consider those possible costs.

All of that research can be labor-intensive. To help make finding a more rewarding card less daunting, we used our proprietary [credit card comparison calculator](#) to review 83 rewards-card programs for six common spending scenarios based on data from the Bureau of Labor Statistics. And because we found that you can earn up to 40 percent more cash back by

strategically using two cards instead of just one, we came up with card pairings that will increase your refund. (See “[How to Stack the Cards in Your Favor](#),” below.)



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We evaluated the programs over a three-year period because certain cards offer a generous sign-on bonus but more limited rewards in subsequent years. We also assumed that cardholders don't carry balances (finance charges can swallow up any rewards). And in the case of cards that award points or miles but allow you to convert them to cash, we considered the actual dollar value of the rewards.

A few generous rewards cards came up more than once because they work well for more than one kind of spender.

We also provide a spending strategy for the two cards, because even the best pair is only as good as the way you use it. (To remind yourself which card to use for which purchases, keep a note in your wallet.)

For a more customized search for a cash-back card, try our easy-to-use [Credit Card Adviser Comparison Tool](#), powered by a version of the software we used for this analysis.

The tool compares the benefits of cash-back cards and lists them in order of best to worst based on your actual spending data. It also estimates for each card the total cash back you'll receive after one year and after three years. To use the tool, first review your credit card statements to determine your total yearly spending on gas, groceries, restaurants, and travel. (The rest of your spending goes into one category that the tool calls Everything Else.) Then divide the totals by 12, plug in the monthly figures, and voila!, it will show you which credit card will pay you the most cash back in the first year and after three years. (Unlike the [spending profiles below](#), our Credit Card Adviser Comparison Tool will recommend only one card, not a pair.)

Follow our guidance, and within a few months you'll see the cash start piling up.

6 Cards With Other Benefits Worth Considering

Cash back on purchases isn't the only smart reason to choose a card. Some cards provide other generous benefits—especially for travel and business—that could quickly offset the cost of any annual fee. Cards appear here in alphabetical order.

(If you're reading this article on your smartphone, we recommend you rotate your phone to landscape mode to better view the tables below.)

| Card (Annual Fee) | Key Benefits | Other Perks |
|-------------------------------------|---|---|
| Chase Ink Business Preferred (\$95) | The Ink card will pay \$600 toward the purchase of a new cell phone to replace one that is damaged or stolen (loss is not covered)—for you or anyone else listed on your monthly cell-phone bill. You can make three claims annually; there's a \$100 deductible per claim. (Wells Fargo offers similar cell-phone insurance to individuals on several of its cards.) | Ink gives small-biz owners the ability to earn 3 points per \$1 spent each year on travel; shipping (FedEx, UPS, etc.); internet, cable, and phone services; and advertising purchases made with social media sites and search engines (up to \$150,000). Points can be redeemed for cash, travel, or other awards. |
| Chase Sapphire Reserve (\$450) | A \$300 annual travel credit that can be used to pay airline, hotel, cruise line, car rental, and other travel expenses. | A Global Entry/TSA Precheck credit (worth \$100 and \$85, respectively) every four years; free concierge services; special privileges with Avis, National, and Silvercar, which provide free upgrades and car rental discounts; and baggage delay insurance (up to \$100 per day for five days), which kicks in when your luggage has been delayed for more than 6 hours. |
| Citi Prestige (\$450) | A complimentary fourth consecutive night free on all hotel stays after you book one four-night stay through the Citi Prestige Concierge service, with no annual limit. | A \$250 air travel credit for flight-related expenses charged to the card, including airline tickets, baggage fees, and upgrades; a \$100 Global Entry application fee credit every five years; and free access to Priority Pass airport lounges for all of your immediate family members or for you and two guests. |
| Discover It (no annual fee) | Refunds on purchases that a merchant won't accept for return. Item must be in its | One percent cash back (up to 5 percent on some purchases), you can freeze the |

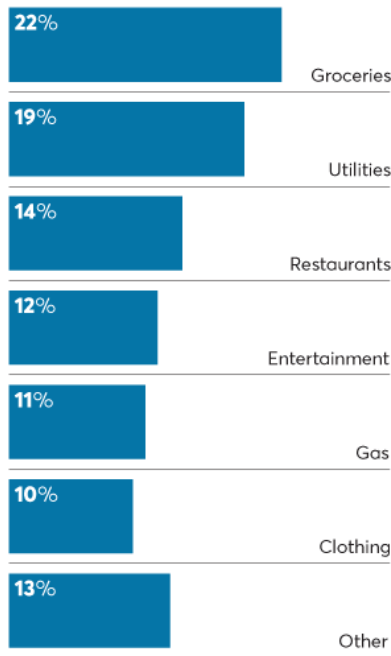
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|--|--|---|
| | <p>original packaging, purchased within 90 days, and not valued at more than \$500 (maximum benefit of \$2,500 per year). There are exclusions (food and antiques, for instance), so check the fine print.</p> <p>Free or discounted access to global Delta Sky Clubs, Airspace, and International American Express airport lounges for cardholders (and in some cases family and two guests). Cardholders also get unlimited Priority Pass Select lounge access and unlimited free access to the swanky Centurion lounges located in a handful of U.S. cities. (The Centurion Dallas lounge features spa services, including massages.)</p> | <p>card to prevent fraud if it's lost or stolen, and a free FICO credit score each month.</p> <p>A \$200 annual travel credit for airline fees and other charges (excluding airfare), free space-available upgrades at select hotels, \$200 in Uber credits each year, automatic Hilton Honors Gold and Starwood Preferred Guest Gold status, and a Global Entry or TSA Precheck fee rebate every four years.</p> |
| <p>The Platinum Card From American Express (\$550)</p> | <p>Presale access and \$60 off the \$225 ticket, per person, to any of the James Beard Foundation Celebrity Chef Tour events, which take place in more than 20 U.S. cities each year.</p> | <p>\$325 in annual travel credits that can be used on airline, hotel, cruise line, car rental, and other travel expenses; 12 complimentary Gogo in-flight WiFi passes per year (up to a \$228 value); four free airport lounge visits per year through Priority Pass; and up to \$100 in credit every four years to enroll in either TSA Precheck or Global Entry.</p> |

How to Stack the Cards in Your Favor

To find a credit card pair that maximizes your cash-back rewards, pick the spending pattern that most resembles your own. (Note: Spending patterns are based on the top seven expenses for each consumer type. Data from Bureau of Labor Statistics. Some totals don't add up to 100 percent due to rounding.)

Large Family

\$3,500 Typical Monthly Charges



TOP CARD COMBO



American Express Blue Cash Preferred



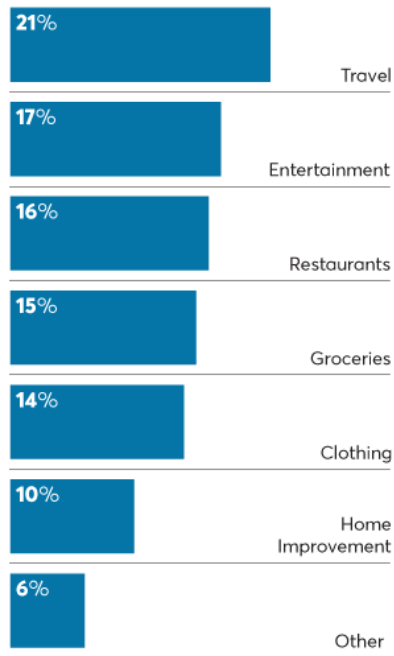
Citi Double Cash Card

Cash Back Over Three Years
\$3,150

Spending strategy: Put your supermarket spending on the Blue Cash Preferred card to earn 6 percent cash back (up to \$6,000 annually); gas and department store charges earn 3 percent. All other charges, including your grocery spending after you hit that \$6,000 cap, should go on your Citi Double Cash Card to earn 2 percent back: 1 percent when you purchase items and 1 percent when you pay your bill.

High-Income Family

\$6,000 Typical Monthly Charges



TOP CARD COMBO



Citi Costco Anywhere Visa



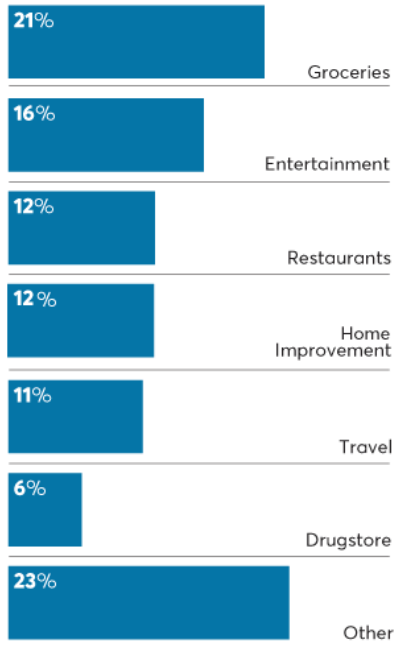
Discover It Miles

Cash Back Over Three Years
\$4,940

Spending strategy: The first \$7,000 of your gas purchases each year should go on the Citi Costco Anywhere card to earn 4 percent cash back. Also use the card to earn 3 percent on restaurant and travel charges. Purchases at Costco or Costco.com will earn 2 percent. Other spending should go on the Discover It Miles card to earn 1.5 miles (or 1.5 cents) per dollar spent, plus a generous first-year bonus: The card program doubles the number of miles you earn on the card during the first year you have it.

Retired Couple

\$2,000 Typical Monthly Charges



TOP CARD COMBO



American Express Blue Cash Preferred



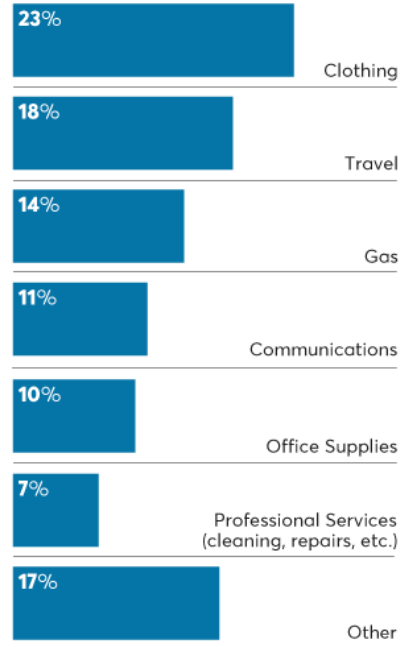
PenFed Power Cash Rewards Visa Signature

Cash Back Over Three Years
\$2,000

Spending strategy: Use the Blue Cash card for your grocery bills up to \$6,000 each year to earn 6 percent cash back. Also use Blue Cash for your gas and department store charges to receive an unlimited 3 percent back. The rest of your spending should go on the PenFed card to earn 2 percent, assuming you are a current or former member of the military, or have a qualifying PenFed checking account. To get a PenFed (short for the Pentagon Federal Credit Union) card, you have to join the credit union. Information is available at penfed.org.

Small-Business Owner

\$2,200 Typical Monthly Charges



TOP CARD COMBO



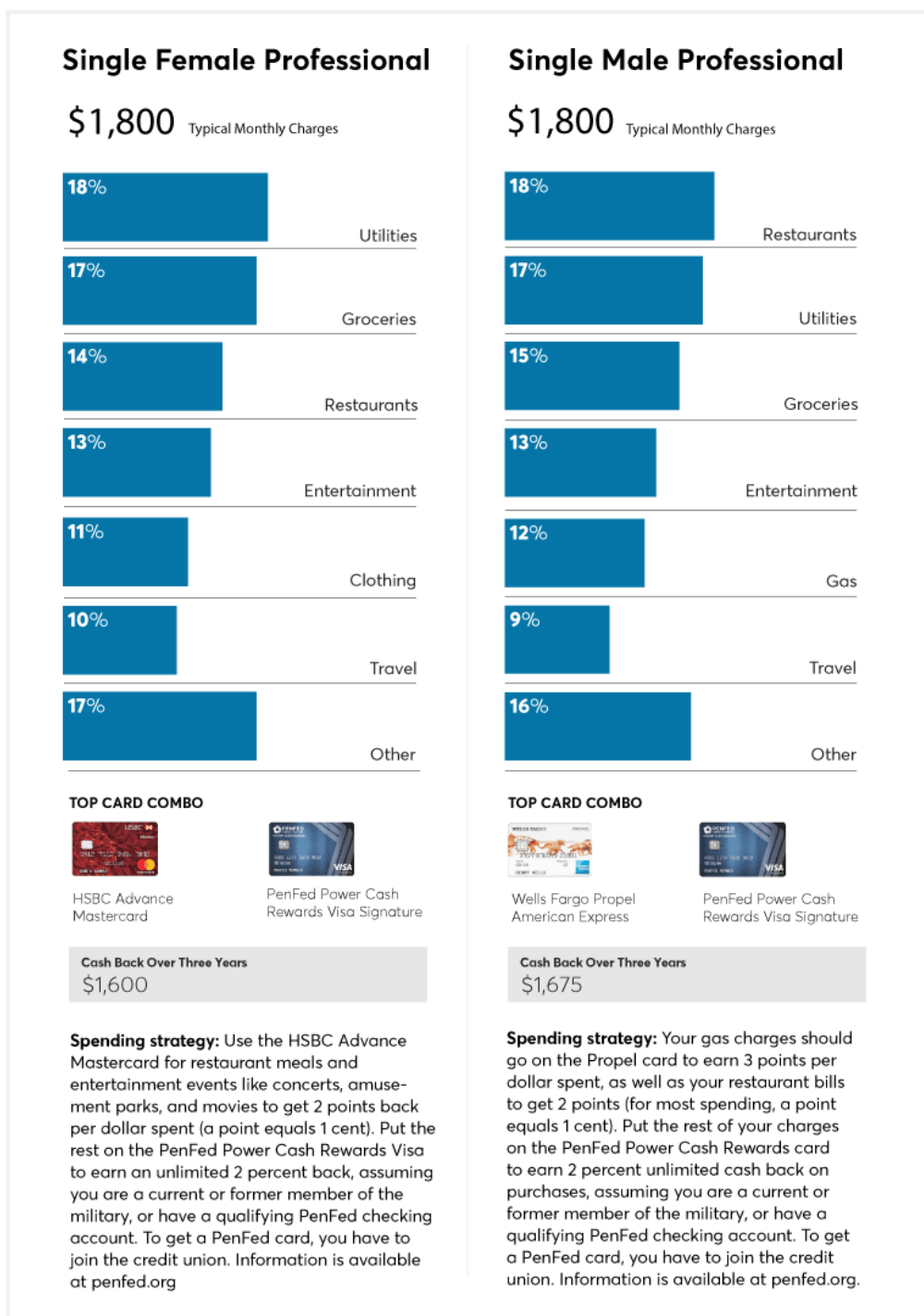
Capital One Spark Cash



Chase Ink Business Cash

Cash Back Over Three Years
\$2,460

Spending strategy: Put supplies, internet, cable, and phone expenses for your office on Chase Ink Business Cash, which provides 5 percent cash back on those products and services up to \$25,000 in combined spending. Put the rest on the Capital One Spark Cash card, which gives an unlimited 2 percent cash back on all purchases.



Editor's Note: This article also appeared in the September 2017 issue of Consumer Reports magazine.

