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Speaker 1

Welcome, my name is Andrew Baron, and this is Well... It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I asked the question, What credit card should I choose? But before we begin a short disclaimer, this is being recorded on June 12th, 2024.

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Speaker 1

The contents of this podcast are strictly for informational purposes only, and nothing said to be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. What credit card should I choose? Well... It Depends! Choosing the right credit card can feel overwhelming with all the options out there.

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Speaker 1

Should you go for a card with rewards? Low interest rates? No annual fees, or perhaps something else? The answer, as always, is it depends. First and foremost, understanding your spending habits is crucial. Are you someone who pays off your balance in full each month, or do you tend to carry a balance? If you pay off your balance regularly, the interest rate may not be as important to you.

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Speaker 1

Instead, you might prioritize rewards programs, cards offering cashback, travel points or other perks. If you do carry a balance, then the interest rate or APR becomes a key factor. High interest rates can quickly turn a manageable balance into a financial burden. In this case, finding a card with a low APR should be your priority. Sometimes cards at low introductory rates can help, but be aware these rates expire and you should know what the new rate will be.

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Speaker 1

Another important aspect is the annual fee. Some cards come with hefty annual fees, but offer substantial rewards in return. If the rewards or perks outweigh the fee, it might be worth it. For instance, frequent travelers might find a card with a \$250 annual fee. But significant travel awards save them more money in the long run. On the flip side, if you don't take advantage of the perks, a no annual fee may instead be a better choice.

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Speaker 1

Your credit score also plays a role. Cards with the best rewards or the lowest interest rates often require the holders to have excellent credit. If your credit score is not in the best shape, you might need to start with a card that helps you build that credit. Look for cards that report to all three major credit bureaus and considered secure credit cards as an option.

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Speaker 1

Diving deeper into rewards. Think about what type of rewards align most with your lifestyle. Are you more interested in travel rewards? Cash back or a specific retailer's points? Some cards offer flat rate rewards on all purchases, while others provide higher rewards for specific categories such as dining, groceries and gas. Don't overlook other benefits that come with credit cards.

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Speaker 1

Some cards offer purchase protection, extended warranties, travel insurance, and possibly even access to exclusive events. These perks can add significant value, especially if they align with your overall needs. Lastly, consider any promotional offers. Some cards offer sign up bonuses if you spend a certain amount within a certain threshold of time, such as 3 to 6 months. These bonuses can be very lucrative, but make sure you can meet the spending requirements without straining your budget.

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Speaker 1

To recap in this episode of Well... It Depends! We explored the key factors to consider when choosing the right credit card. We discussed the importance of understanding your spending habits, especially whether you pay off your balance every month or you carry it forward. We also highlighted the significance of interest rates, annual fees and the impact of your credit score.

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Speaker 1

Rewards programs were another focus with emphasis on aligning rewards with your lifestyle, whether it's cashback, travel points or retailer specific perks. Additionally, we touched on the value of other card benefits like purchase protection and travel insurance. And finally, we considered promotional offers and sign-up bonuses. Remember, picking the right credit card depends on your unique financial situation and goals.

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Speaker 1

So, to answer the question, what is the right credit card for me to choose? Well... It Depends!

Speaker 1: Andrew Baron, CFP®, EA