

## SCENE for FEBRUARY



### *Credit Cards Come in 31 Flavors*

*by Dixie Butler, CFP, EA*

Once plain vanilla, credit cards now come in 31 flavors. You can get credit cards that earn everything from free airline tickets to free long distance telephone time. Some cards earn a rebate toward cars, while others give you cash back.

Consumers love these freebies. But do these rewards and rebates provide real value? Is it possible to get something for nothing?

It is usually best not to take on debt unless you have to. Excessive debt – especially high-cost consumer installment debt such as credit cards – does more to wreak havoc with family budgets than anything else. If you already have debt problems or struggle to meet your monthly obligations, the last thing you need is a credit card. But if you're in good financial shape and already use "plain vanilla" credit cards in a responsible fashion, switching to an enhanced card might be worth it.

Before you switch, check out the annual fee. If the annual fee is \$60 and it takes you four years to earn a free airline ticket, you would have paid \$240 toward the ticket in annual charges. To earn the freebies, look at the volume of spending required against the cost of the annual fee. If your level of spending fits the requirements over a short period of time, it might be worthwhile to switch.

Look out for rewards that you may never use. If you get a credit card that offers United Airline rewards or Ford rebates, you better want to fly United or buy a Ford. Cash-back cards typically rebate on an average of \$8 per year. In this case, you would be better off going to a lower interest card with no annual fee. Most enhanced cards charge an annual fee, whereas, many "plain vanilla" cards do not.

The name of the game is to use your credit cards as a convenience. Pay your balance in full each month. Credit card debt is not only costly, but can be stressful to family life. «

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