



LCBS-2022-11-03-MinimalismAndCreditCards.pdf

Minimalism – Using Credit Cards

One of the things I am asked often is should people who are minimalists use credit cards. I think we can expand that to ask if anyone should use credit cards?

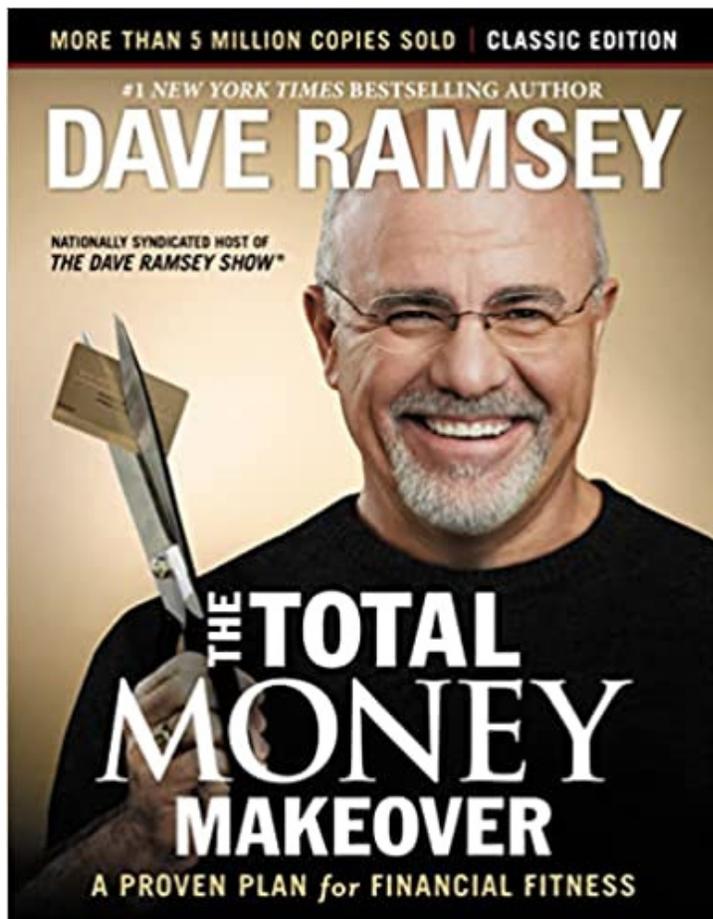
It truly is a personal decision, but there are certainly pros and cons to using them. I think using a debit card is absolutely okay. It is safe and has insurance on it like a credit card. And with it, like cash, you must have the money in your account to pay for the item. I have debit cards with two credit unions here locally, and both pay Kasasa rewards. One of them pays 4% on your first \$250 of expenses monthly as long as you use the Debit Card at least 12 times for a total of \$250. So each month I receive \$10 as a reward.

The other credit union pays 3% on up to \$400, but the rules are slightly different. Each debit transaction must be \$10 or more, and there must be a total of 10 transactions for \$400 or more. So each month I receive \$12 in both my personal and business accounts as I use two different debit cards and follow the rules. So monthly I receive a total from both credit unions \$34 of interest by spending a

little over \$1000. Now if you did not have those expenses to begin with, it would be stupid to spend money to receive the interest. You could just save \$34 and spend nothing. However, these are expenses we have for buying groceries, household items, fuel, and gardening expenses.

Before going any further on the use of credit cards, I want to take this opportunity to give a positive thumbs up on Dave Ramsey's book, Total Money Makeover.

[Total Money Makeover By Dave Ramsey](#)



3 years ago, my wife and I took a course on getting out of debt at one of our Credit Unions, and then followed his 7 Baby Steps to Debt Freedom. We were free of credit card debt in about 14 months. His plan works for everyone, and I needed his cold turkey approach to get debt free. If you have issues controlling debt, I recommend you follow his simple easy-to-follow steps.

The first two steps are super simple. Put \$1000 in an easy to get to Emergency Fund (like a Savings or High Yield Checking Account). Then you use the debt snowball to pay off all your non-mortgage debt such as credit cards, car loans, student loans, etc.

Dave Ramsey is a proponent of never using credit cards. And I have no issue if you wish to use his method. His method is safe. You eventually over time put six months of salary into your emergency fund and never use anything but cash to pay for your items. He has no issue using Debit Cards.

If you can say yes to these next questions, it could be that you can live easily without using credit cards.

1. I have no debt including no Mortgage Debt
2. I have enough money in my checking account to pay two months of bills.
3. I have Six Months of salary/income in my Emergency Fund

If you can say YES to all three of those questions, I would just rock on without any credit card use. Why borrow and take a chance on developing a bad habit? Because I misused credit in my younger years, my wife and I have a rule. If we ever fail to pay off every credit card in full each month, then we stop using them. If you pay them off monthly, you pay Zero interest for the whole year.

If you are not in the heavenly mode listed with three yes answers, you probably are like 90% of Americans. It is crucial to not try and do my credit card recommendations until you get rid of all non-mortgage debt. Read Dave Ramsey's book and follow his rules. I tried for 7 years to get debt free and failed. Once I went to his plan, we were out in 14 months and have since paid off our home mortgage. It is the best feeling ever to know you own your own home.

So if you are debt free or in a good position to pay off any credit card debt each month, I am going to give you a few cards with the pros/cons of each one. I have used all of these and most are still open today.

Discover Rewards

PROS:

1. Probably not a better card out there for 2 purposes. One is to get huge cash-back rewards, particularly for the first year. They match your 5% cash back on the first year, so you net out 10%.
2. The second purpose is to use them to refinance other debts. Typically you can go out for 15 to 18 months with zero interest for a 3% balance transfer fee. I used this to help me get out of credit card debt. Never pay that 18 to 23% interest. You will never get out of debt by paying that kind of interest. Because our FICO score is nearly at the top, I recently was given an option to only pay 2% on balance transfer fees, which is the lowest I have ever heard of.
3. Typically, you will receive a high credit limit of over \$5,000.

CONS:

1. You do not get to choose your categories to get the 5% rewards. Discover changes in what is available each quarter.
2. You must sign up for the rewards. If Walmart and Target are their quarterly 5% category, then you won't get anything unless you first sign up for the cash-back rewards.
3. Takes a pretty good credit score to qualify.

Citibank Custom Cash Rewards

PROS:

1. Best cash back for some categories such as Gas and Dining out. You choose the one category you want, and they give you 5% cash back which can be used to pay off the balance on your account.
2. For several categories, you can choose to set the 5% and this can be changed periodically. I have never changed as I got mine for Dining, and it has paid accurately every month.
3. Higher than normal credit limits. (\$7000 to \$9000 if good credit rating)
4. 1% cash back on all other categories.
5. Occasionally they offer an extra \$150 reward if you use it for \$1500 in the first 3 months.

CONS:

1. They claim you can get 5% on food, but it excludes Walmart and Target. We got two cards one for me for dining and one for my wife for food. Never got more than 1% back on food and I called and they explained the exceptions.
2. None of that is mentioned in the paperwork.
3. Requires high Fico score.

FIDELITY REWARDS

PROS:

1. If you have a Fidelity Investment account such as a ROTH IRA, be sure to apply for this card.
2. Pays 2% cash back on EVERYTHING. Nothing to sign up for, and no rules or exclusions.
3. Sometimes offers Interest-Free loans/balance transfers for a 3% balance transfer fee. We used this to cover an \$18,000 medical cost for my wife's surgery which was paid back by our insurance company later.
4. High credit limit. We have a high credit rating, and our limit has always been above \$19,000
5. Rewards can be directed right into your ROTH IRA if you so desire.

CONS:

1. None I can think of. If could only have two cards, it would be this one and my Sam's card.

SAMS CLUB PLUS MEMBER

PROS:

1. Can be used to buy Samsclub.com items online with 5% back.
2. All Fuel purchases are 5% back. Occasionally they double the rewards for a week or two.
3. All Dining is 3% back.
4. All Sam's purchases are 2% or more back.
5. All others are 1%.
6. Money is now paid monthly rather than once a year as in past.

CONS:

1. I would like to see them offer 5% off on in-club purchases, but this is not a negative. Just a desire of mine.
2. You must pay a yearly Sam's fee for PLUS which is around \$100. They are running a special now for \$45 I understand for first-time members.

AMAZON STORE CARD

PROS:

1. 5% back on everything on Amazon
2. Free next-day shipping on most items.
3. If you use METROPCS as your cell phone carrier, they pay your prime membership fees. (Not sure this is still offered)

CONS:

1. Requires PRIME membership. This went up from \$119 to \$139 this year.
2. Not a real Visa or Mastercard... just for Amazon purchases.

PENFED CREDIT UNION PLATINUM REWARDS

PROS:

1. Best for buying in-store groceries at Walmart or Target. 3% on all grocery charges.
2. I believe 3% back on all dining also. Verify this.
3. Pay \$150 rewards if you purchase \$1500 in the first 3 months. We did it in the first month and they immediately paid the rewards.

CONS:

1. Cashback rewards are not payable to your bill.
2. You may have to be an AMAC member to get this card. (Similar to AARP)
3. Rewards must be placed on gift cards that you choose. Gift cards take 5 to 7 days to be delivered by mail.
4. Rewards are pro-rated, not dollar for dollar. So to get back 2500 cashback points rewards (\$25) requires 2680 to 2940 points. This means your net discount to Walmart drops from 3% to 2.8 or 2.55%
5. You must use their vendors which vary in rewards charges. I got \$50 on an IHOP card today for 5660 points.

6. I just called PenFed and got clarity on how the rewards work. I found that while currently all the reward points are above the 1-1 reward rate, sometimes IHOP, SUBWAY, and AMAZON actually go below the dollar for dollar. In other words at one time, they were giving 25 of rewards for 2120 of your 2500 points. This makes your percentage of savings higher than 3%. And the Visa card can be used anywhere, and no extra VISA charges.
7. I also found out that you can select to receive your rewards directly. You can download them to your phone after less than 3 hours after request. You can have it sent directly as a message and the QR Code can be read by the company you requested. I will test this out tomorrow.

WALMART VISA

PROS:

1. 5% back on online purchases
2. 2% back on all in-store purchases
3. 1% on other purchases
4. 5% on Fuel purchases at Murphy USA

CONS:

1. Not many. Most credit limits are low like \$1,000

I have not researched the new WALMART Plus card, but I understand that it may pay up to 10% cash back on fuel. Again, to get it requires a yearly charge of like \$85. It does include free grocery delivery I believe.

I hope this gives you an idea of what is available in the Credit Card market. I will close with a reminder from Dave Ramsey who said "I have never met a millionaire who got rich off Discover or Visa cashback points."

Good thought to consider. I pay these cards off every month and only use them to purchase what are our basic needs for the month. Don't ever carry credit card balances with high-interest rates. If you are having trouble with credit, ignore all the credit card recommendations and read Dave Ramsey's book listed above. You can check it out for free at most libraries.

[Total Money Makeover By Dave Ramsey](#)

List of All Investment Articles

<https://lifecanbesimple.net/investments.html>

List of all Minimalism Articles

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