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A Registered Investment Advisory Firm



7601 Lewinsville Road, Suite 210, McLean, VA 22102 | voice: (703) 356-4380 toll free: (888) 356-4380 fax: (703) 356-4383 | www.BernhardtWealth.com

Navigating Credit Card Rewards During COVID-19 Times—and Beyond

The pandemic has impacted people's financial lives in ways both large and small. For many of us, it's changed how we spend our money, and therefore how we accumulate and use those oh-so-desirable rewards doled out by our credit card companies, travel reward programs and the like.

With that in mind, we reached out to the experts at Bankrate.com for a look at the credit card rewards landscape in the age of COVID-19—as well as how it might look when this catastrophe is in the rearview mirror—and some ideas for how you might best navigate it.

Travel rewards—what to do?

The big question on lots of people's minds is what to do with their existing airline credit card points, given the chilling impact that COVID-19 has had on travel. Experts say there are a few ways to go here.

- 1. Hold tight.** Travel rewards credit cards generally give you the highest value for your points when you redeem them for—you guessed it—travel. So simply keeping your points until you're ready and able to fly again is likely a good strategy for many people who expect to be back in the air at some point.
- 2. Use points for common purchases.** If you expect to travel significantly less even after the pandemic ends, consider spending points now. You can do so in some interesting ways. Many credit cards are letting travel cardholders use their points toward everyday items rather than just on discretionary items such as concerts—and giving cardholders the same value on those essentials as they'd get if they redeemed points for travel. These offers can change frequently but tend to be centered on spending in areas of importance to consumers during the pandemic—including groceries, restaurants, meal delivery services, home improvement stores and even streaming video services.
- 3. Buy gift cards.** Some cards will give you a better rate if you redeem points for gift cards than if you use the points for cash back, so this route is worth looking into if you're comparing those two options. That said, gift card redemptions usually don't give you maximum value for your travel points—so while this can be a good way to go, in most instances it's not a great way.
- 4. Get cash back.** Simply put, this isn't a great way to redeem travel points in most cases. It's common for travel cards to offer less than 1 cent per point when redeemed for cash. If you're not in tough financial straits, maybe pass up this option.

OPPORTUNITIES FOR THE AFFLUENT

Because of the pandemic's impact on jobs and incomes, card companies are being more selective about whom they market to and whom they approve—and that could spell opportunities for you.

Example: Some cards have significantly boosted the number of bonus points they award you when you open a new account—in some cases offering double the usual rewards (100,000 points instead of the typical 50,000, for example)—on the condition that you spend a significant amount on the card in the first few months. In addition, those points have the same value for essential purchases as they would for travel.

The catch, of course, is that your financial house likely needs to be in excellent shape for you to be approved for these outsize sign-up-bonus offers in the current environment. If your income and other factors look good, you could find yourself swimming in reward points.

Warning: Keep in mind that applying for multiple cards in a short time span (such as one day or even one month) can ding your credit rating. Try to select one card you really want and for which you're confident you'll be approved, and leave it at that.

The route forward

It's likely that eventually, travel will once again become commonplace as advances are made to help cure COVID-19 or better mitigate its risks.

That said, travel might not roar back or look the same as it did before the pandemic. In one UBS survey of 3,750 wealthy investors, 70 percent said they will reduce travel post-pandemic. Bankrate industry analyst Ted Rossman is watching for signs that Zoom calls and online conferences may significantly dampen business travel activity for the foreseeable future.

If travelers curtail their activities, it could spell opportunities for you if you do plan to rev up your air travel. Going forward, card companies may work harder than ever to earn their customers' loyalty. Keep watch for your existing card issuers and loyalty programs to offer bonus points for new reservations or boost how fast you can accrue points.

As noted, it might be a good time to go shopping for new cards, too—as big sign-up bonuses for new cardholders could become common as companies vie for new members, higher account balances and future point redemptions. Attractive offers that encourage you to switch programs or cards potentially could lead to a points windfall.

Which cards should you focus on? In general, Rossman suggests targeting cards with maximum flexibility—such as points that you can use with multiple airlines and reward programs instead of with just one.

Ultimately, it's a good time to reexamine all aspects of your credit card spending—how much you spend, the categories where you spend the most and the deals your existing cards offer—to see whether you're getting all you can. You might decide to chase after all the points and perks possible—or you might decide to forgo maximum point values and opt for cards that offer the greatest amount of flexibility or simplicity. Regardless, if you do a little homework, you can make clear-eyed decisions that reflect what you most want and need from your cards.

Please note: Rewards and points rules and offerings change frequently. Some of the options and perks noted here may no longer be valid or in effect.

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