



Ultimate Guide to Credit Card Rewards

Enjoy free flights and other fantastic benefits by maximising the value of credit cards and their rewards programs

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Executive Summary

Credit cards are one of the **easiest and most popular ways to earn frequent flyer points** on the ground! Points can be earned for just about anything that can be paid for by card.

Credit cards also open up a world of opportunities to **earn tens of thousands of points for free** through generous sign-up bonuses! Many people have been able to **fly all around the world in Business and First Class for virtually no cost**, by taking advantage of credit card rewards and sign-up bonuses - and you can too!

In addition to being a fantastic source of frequent flyer points, some credit cards come with **outstanding perks** including free flights, airport lounge access, complimentary travel insurance, free wine, complimentary elite hotel status and many other benefits.

But with so many different credit cards in the Australian market - each with their own unique rewards programs - finding the best value can be a difficult task indeed. Credit cards come with annual fees from \$0 to over \$1,000 and some rewards programs offer significantly better value than others. The complexity of airline and credit card rewards programs only adds to the confusion.

This guide analyses a wide cross-section of Australian credit cards and their rewards programs. It will show you where the best - and worst - value can be found. The Guide will also show you the very **best ways to redeem your credit card points** - whether you wish to fly around Australia, fly around the world or even if you just want to save money on groceries. Plus, the Guide demonstrates the use of some fantastic free resources that can be used to find the best value methods of redeeming points for any flight, anywhere in the world.

The Guide is packed **with extra tips and tricks** to help you **maximise the potential rewards**. For example, the Guide will show you how it is possible to fly around the world in Business Class on oneworld airlines on the back of just over \$60,000 of credit card spend. Or how to fly Qantas Business Class to New Zealand by spending less than \$12,000 on your credit card... and that's without making the most of sign-up bonuses that could make these redemptions possible for almost no cost at all!

Whatever your travel goals, there is a credit card and rewards program out there that is perfect for you. This Guide will help you to find it.

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Chapter 1: Introduction

Other than flying, credit cards are the most common and popular way to earn frequent flyer points. Many credit cards award points for every dollar spent on the card. So, many thousands of points can be earned through credit cards just by spending money you would be spending anyway.

But not all credit cards were created equal! Some offer a measly half a point for every dollar spent, while others may offer up to three points per dollar. Some cards even offer bonus perks such as travel insurance, airport lounge passes, free wine and even free flights!

Credit cards also bring about opportunities to earn a very large number of points in a very short period of time, for little or no cost! In order to entice new customers, credit card providers regularly offer many thousands of bonus points just for getting the card.

This Guide will explain everything you need to know to maximise the value of credit cards and their rewards programs.

Before we begin, a few notes:

- The Australian Frequent Flyer is 100% independent. We have no vested interest in any of the cards or programs featured in this guide, so you can be sure that the information presented is unbiased and as accurate as possible.
- All figures quoted in this Guide were accurate, to the best of our knowledge, on the date of publication. However prices, earn rates, benefits and other figures are likely to change over time.
- The information in this guide is general advice only. You should consider your personal circumstances before applying for any credit card and consult a financial advisor for professional advice.

Let's now have a quick look at the basics of credit card rewards...

Types of credit card rewards

In Australia, there are two main ways to earn rewards points from credit card spend:

- **Co-branded cards:** Points are automatically credited to a specific airline's frequent flyer program.
- Cards linked to a **credit card rewards program:** Rewards points are credited to the card provider's own program. They can then either be redeemed within that program, or transferred to one of the card's airline or hotel transfer partners.

Co-branded cards

Co-branded credit cards are linked directly to a specific frequent flyer or other loyalty program (e.g. Qantas Frequent Flyer or Velocity Frequent Flyer). Points earned with these cards will be deposited straight into your frequent flyer account. These cards can offer good value, and are generally the most convenient options as you won't need to worry about transferring points between multiple programs. However, the key disadvantage with these cards is that you're locked into a specific airline program. This means you are restricted from taking advantage of the dozens of other programs out there - many of which offer redemptions at a considerably lower cost to the local options in Qantas and Virgin.

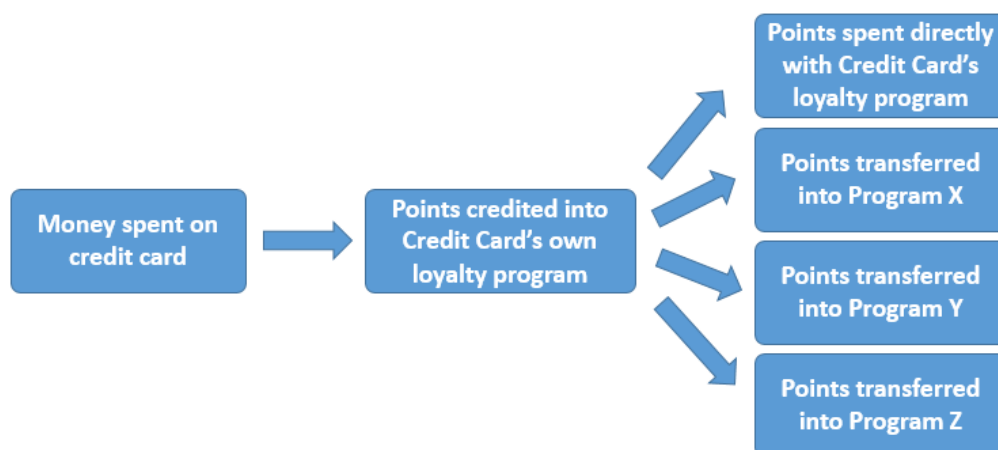
Puts simply, co-branded cards work like this:



Cards linked to the card provider's own loyalty program

Other point-earning cards are not affiliated with any particular frequent flyer program. Instead, points are earned in the credit card provider's own loyalty program. The points can then be transferred to any of the program's transfer partners at any time, at a pre-determined rate. Generally, the points can also be redeemed directly through the credit card loyalty program for products, gift cards or travel - though such redemptions are often poor value, as we will discover.

By way of comparison, credit card rewards programs function as follows:



Although this process may appear more complicated, it is difficult to overlook the benefit of flexibility in credit card loyalty programs. Most credit card programs partner with multiple airline programs, meaning that points can be transferred to any of a number of programs as required.

This flexibility can be highly advantageous for a couple of reasons. Firstly, an identical redemption may require fewer points and/or lower taxes when points are redeemed through a different program. One example is American Airlines and Qantas; American Airlines miles can often be redeemed for Qantas flights at a lower rate than the same flights booked with Qantas points. Flexibility can also be advantageous if there is no award availability through your preferred frequent flyer program. The flexibility to transfer points to another program will open up greater airline and routing possibilities.

If you wish to request an upgrade using frequent flyer points, it is generally only possible to do so using points belonging to the airline you're flying. For example, only Qantas points can be used to upgrade on Qantas flights. So, the ability to transfer to multiple programs means you also have access to point upgrades on a greater number of airlines.

Points in some credit card rewards programs can also be transferred to hotel loyalty programs for high-value hotel stay redemptions.

Credit card rewards programs also offer some unique redemption options. For example, some programs allow you to convert points to cash. However, this benefit is limited as the value of such redemptions is often poor.

This may all seem confusing at first. Don't worry... everything you need to know will be explained throughout the Guide!

Annual card fees

Most credit cards come with an annual fee. This could be anything from \$0 to \$1,200, but is generally in the \$100 to \$400 range. While these fees do represent an expense that is not insignificant, they can often be justified by the rewards and perks offered by the card. The points that can be earned often justify the fees alone, and some cards offer significant other bonuses including free travel insurance, airport lounge passes and even free flights.

Having said that, it may be possible in some cases to have the annual fee on your credit card waived or reduced. Some cards offer to waive the annual fee in the first year through various promotions. Further, many AFF members have been successful in having annual fees waived in subsequent years by asking politely, or even threatening to cancel the card. Most banks are keen to retain their customers, so a fee waiver may be offered if they are worried about losing a customer.

See [this thread](#) or [this thread](#) on AFF for more on this.

Amex vs MasterCard & Visa

You may notice that American Express (Amex) credit cards tend to earn points at a higher rate than their Visa & MasterCard counterparts. The flip side of this is that businesses accepting credit card payments are also charged higher merchant fees for accepting Amex. As a result,

some businesses may not accept Amex cards at all, or may charge a surcharge for the privilege.

There are still many businesses that will accept Amex cards with no surcharge - including most major retailers - but this is something to be aware of. Amex cards can offer great value to customers due to their higher earn rates and oft-superior perks, but we do not recommend relying *solely* on an Amex card as a means of payment due to its limited acceptance.

Check the earn and burn rates

When comparing the value of any particular credit cards or loyalty programs, two of the most important considerations are the point-earning rates and the burn rates (the value gained from spending points).

For example, Program X may award 2 points per \$1 spent while Program Y awards only 1 point per \$1. However, if a flight redemption through Program X costs triple the number of points as Program Y, then the latter actually offers better value. This is why it is important to check both.

Credit card travel insurance

Finally, you may notice that many credit cards offer complimentary travel insurance as a benefit. This is potentially a very useful benefit if you plan to travel overseas, but it is important to read and understand the terms & conditions of these insurance policies. Some credit card insurance policies come with certain catches that make the policy invalid under some circumstances. So, while this benefit may be useful to you, make sure you are fully aware of what is and isn't covered before relying on your credit card's insurance policy.