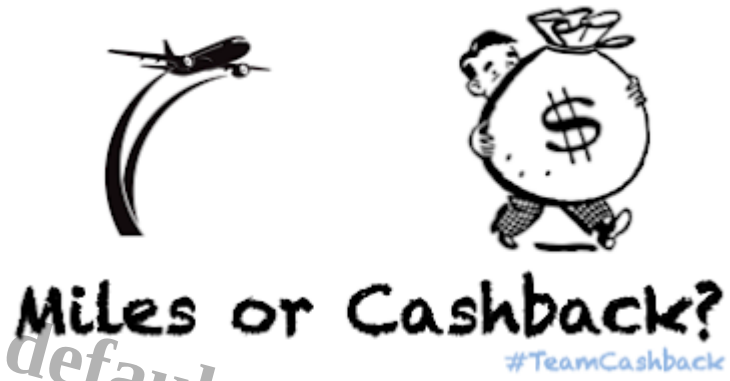
Why Iâ??m on Team Cashback instead of miles credit cards

Description



default watermark

The war is officially on for cashback vs. miles credit cards, and Iâ??m standing up for Team Cashback.

Itâ??s no secret that The Milelion and SG Budget Babe are fierce online rivals, ever since he called us cashback folks â??evilâ?• and â??noobsâ?‘. I kid you not. What an insult!

Just a few months ago, he was at it again, arguing why air miles cards offer better value over cashback. He even issued an open #nevercashback challenge on Facebook. I couldnâ??t leave such a good debate unanswered, so hereâ??s my take on why I prefer cashback cards over miles:

This was originally written for and published on SingSaver.com. I have edited the article further since.

Miles give you access to experiences, but you can go further with cashback

The MileLion brings up a fair point that most people probably wouldnâ??t be willing to spend S$10,000 to buy a First Class seat, but yet be more than happy to claim that with their miles.

But hereâ??s my take:

- That joy is short-lived (and is over in a matter of hours).

- Cashback brings you further. Just like how I have no desire for branded bags, I similarly donâ??t need to experience a First Class or Business Class. When I fly, all I care about is the flight is safe, on time and gets me to where I need to be. Of course, it has to also be reasonably comfortable (economy aisle seats are good enough for me).

- My idea of a travel experience doesnâ??t come from flying in a premium class; I prefer travelling via budget or economy any day, and save cashback money for actual sightseeing and other activities when I land instead.

Alas, not all of us necessarily need to experience flying First Class before we deem to have lived our lives to the fullest. There are far more meaningful things in life than chasing miles.

Cash saved from cashback pays you interest while miles lose value over time

Over the years as more people joined the miles-chasing bandwagon (otherwise known as â??travel hackingâ?•), the airline industry has responded by making it harder for one to claim a trip using miles.

default watermark

Just take a look at the Krisflyer frequent flyer programme (arguably the most popular in Singapore) and how often theyâ??ve changed their awards redemption system in the last few years. Even The MileLion himself has acknowledged this â?? as seen from his post on the horrible devaluations since 2012.

Letâ??s assume you started collecting miles in 2014, working towards a goal of 215,000 miles so you and your spouse can redeem a Krisflyer Suites experience to London. Even with an air miles card that gives you a generous 4 miles per dollar, youâ??ll need to spend over $53,000*, or slightly over $1,000 per month for 4 years. Just as youâ??re about to happily redeem your tickets in 2018, imagine being told that youâ??re now 21,000 miles short! CAN YOU DEAL WITH THAT DISAPPOINTMENT AND HEARTBREAK?!

My heart canâ??t take such surprises. Old liao. Next!

**You can reduce the amount spent by paying annual fees for the cards and getting a bonus miles for doing so, but youâ??ll still need to spend a significant amount.*

Miles chasers tend to spend more than cashback chasers

The miles game fuels you to spend more and more so you can reach your intended goal. After all, *cues music* *Youâ??ve tried so hard, and got so far, but in the end, it doesnâ??t even matterrr.*

As a cashback girl, I spend much less than most of my friends in the miles camp. To make my cashback go further, I put any cash saved into a high-yield bank account that earns interest, therefore giving me even more for every dollar saved. A few months ago, I withdrew from that account to pay just $890 for a pair of Economy

flights to London.

Cash-paying customers get priority over miles redemptions

Airlines have limited inventory set aside for miles redemptions, so itâ??s no surprise many people end up on the waitlistâ?¦ or theyâ??ve to take a less-than-ideal flight in order to claim their miles.

Experiences are also best shared with a loved one. If you thought redeeming one ticket via miles is already hard enough, try redeeming for two, side-by-side seats on the same flight. Enough said.

However if you pay cash, you get to choose when and how you want to fly.

In addition, the airlines run rather attractive promotions from time to time, when you can snag tickets at a heavily discounted rate. On the contrary, Iâ??ve hardly ever seen them do promotions for miles redemptions!

default watermark

Miles cards have too many (confusing) caveats

Merchant exclusions on air miles cards are so complicated (and random, if I might add) that thereâ??s even an entire spreadsheet on HardWareZonededicated to verifying miles rewards across merchants, across banks. If that isnâ??t tiring, I donâ??t know what is.

Compare this to cashback credit cards, which are clear on what types of payments do not entitle you to cashback. Payments to government institutions, charitable or religious organisations, trading platforms, AXS, EZ-Link top-ups, and Paypal are typically excluded. Iâ??ve not personally encountered any situation where a cashback card advertises â??X% cashback for online spend!â?• only to say â??sorry, your payment at Merchant Y is not under our list of participating retail merchantsâ?•.

TL;DR version

In conclusion, hereâ??s my lowdown on why earning cashback is better value than chasing miles:

- Joy from miles is short-lived; cashback gives you more options
- You canâ??t earn interest on your miles, unlike cashback
- Miles are subject to devaluation year after year

- Air miles chasing encourages you to spend more and more
- Youâ??ll often find yourself waitlisted for flight redemptions
- Miles credit cards come with too many caveats and exclusions

Thatâ??s why Iâ??d pick cashback cards over miles cards any day. Cashback gives me the freedom to decide when and how I want to spend the extra cash.

However, thatâ??s not to say a miles card is bad. It really depends on your spending habits and categories. If you have a big-ticket item to pay for, such as a $60,000 wedding restaurant bill, youâ??re probably better off using a miles card than cashback card (even the most generous 1.6% uncapped cashback card only gives you $960 vs. 240,000 miles with a 4 mpd card, enough for a pair of economy class tickets to the U.S.)

default watermark

But for someone who has no desire to fly premium, then cashback cards truly offer you better value. Still think miles are ALWAYS better? I disagree.

Cash will (almost) always be king. #teamcashback



With love,
Budget Babe

Category

1. Credit Cards
2. Savings

default watermark