

Credit card picks - Part 2:

Last weekend, the pros picked their favourites. Now it's the readers' turn to weigh in.

Sandra E. Martin, Smart Money columnist
National Post Saturday, May 1, 2004

Given that credit cards now outnumber children by more than three to one in most Canadian families (mom and dad each hold an average of 2.5 credit cards, but have only 1.5 children between them), we should have expected the onslaught.

Last week's Smart Money story, "Experts Pick Favourite Credit Cards," generated an unprecedented number of reader e-mails. Some were questioning ("what am I to do for a second card?"). Others were opinionated ("anyone who can't see that the goodies offered by a fee card far exceed the cost for any given year are either lazy or really dumb").

Between the lines, though, they all said the same thing: a follow-up article is in order.

While our reward-seeking readers generally agree with the experts' choice of an Aerogold Visa, many, like Bruce and Lynne Faulkner of Lindsay, Ont., are looking for a second or third card.

The Faulkners, both over 65, travel internationally once a year, and "like the benefits" of their Aerogold Visa, but want a reliable backup in case Visa's system goes down when they're on holiday, the way it did several years ago in Mexico. On that occasion, they paid their hotel bill with their American Express card, but couldn't use it at the time to withdraw cash advances from the

local ATMs. (Amex currently allows users to access cash at ATMs around the world.)

Sylvia Lim, a Vancouver-based financial planner and accountant, as well as author of the Simply Essential Personal Budgeting Kit (Self Counsel Press), says: "They should apply for a no-annual fee credit card for emergency use, like to access ATMs."

They also have a Diners Club card, but it's been a bit of a disappointment. "We live in Lindsay [a small town east of Toronto] – none of the restaurants take Diners Club. So that is a negative," Mrs. Faulkner says. On top of that, Diners has announced it will be canceling their favourite perk at the end of this year: the ability to convert Diners reward points into Aeroplan miles.

For everyday use, the couple have indicated that they would like to replace their Diners Club with another travel reward card. The couple already have health and travel health insurance coverage, so they don't need a card with those features.

Not so fast, says Ms. Lim. The Faulkners need to give their Diners Club card a second chance.

She holds a Diners Club card herself, and feels that it can be a vacation-saver. Its 2-hour travel assistance benefits include

emergency cash advances and even legal aid, if you need it.

That's a lot more valuable than a second everyday card in the Faulkners' wallets, which would merely dilute their benefits. Instead, they should maximize possible their rewards by putting as many purchases as possible on their existing Aeroplan Visa.

As to the matter of usability, Diners has just announced a deal with MasterCard International, which will allow Club members to use their cards everywhere MasterCard is accepted.

Although they won't be able to collect Diners Club Aeroplan miles after Dec. 31, they can take as much time as they like to redeem the points they already have. And, according to the Diners Club spokesperson, cardmembers will be presented with "an attractive proposal" (details of which are being closely guarded) in place of the Aeroplan program.

Alternatively, they can switch to the card's Club Rewards program, which will allow them to redeem reward points for flights on many different international airlines, including Air Canada – without the blackout periods that vex Aeroplan points collectors.

If, after considering all those options, the Faulkners are still convinced Diners isn't for them, Ms. Lim says they should have another look at the Amex card that saved their bacon in Mexico. Like Diners, Amex is made for travelers and provides a ton of security away from home.

With their Visa, a Diners Club or Amex card, and their chosen no-fee emergency card in hand, the Faulkners will have all

the potential reward points they can handle, and they'll be protected against almost any cash catastrophe on their next vacation.

Meanwhile, in nearby Peterborough, Ont., Alan Wotherspoon wonders which card is most widely accepted: Visa, MasterCard or Amex.

Obviously, if your next vacation is a walking tour of India, you'll likely have trouble finding a vendor that'll take any card you put in your backpack.

In terms of sheer numbers, however, MasterCard is the clear winner, with 30 million acceptance locations worldwide. Visa comes in second, with more than 20 million acceptance locations.

In Harry Chandlers' experience, Visa is unbeatable. The Vancouver computer consultant swears by his card as a sort of portable currency exchange service.

"You're in the middle of rural France, and you try to use an ATM with your debit card and it doesn't work. [But] it always works with the Visa card."

Remember, though, that when you draw cash from, your credit card, interest charges start accumulating immediately.

So to avoid coming home to a crippling credit-card bill, Mr. Chandler, who refuses to carry a balance, prepares for international trips by loading up his card with a large credit. The extra cash on his account covers all of his ATM use while he's abroad.

OK, so MasterCard and Visa are pretty sure bets for card acceptance, wherever you go. But that still leaves Amex's efficacy in question.

“I cut [mine] in half and sent it back to them, and said, “I’m so sick of you people,” Mr. Chandler reports. This was following a trip to Italy, where his Amex card was repeatedly rebuffed by merchants who “only took Visa.”

Already steamed, Mr. Chandler tried to use the card again upon his return to Canada, at a restaurant near his home. Again, refusal. Although the eatery did officially accept Amex, the waiter told him, “We’d rather not.”

And what does Amex have to say about its reputation for non-acceptance? “Ad a matter of policy, I’m not able to disclose specifics on the number of Amex merchant locations in Canada,” says spokesperson Tara Peever. “I can tell you that, globally, we can accommodate anywhere from 85% to 95% of Amex card-members’ spending, depending on the market.”

In other words, the company figures you’ll be disappointed five to fifteen times out of every hundred times you try to buy something with your American Express card.

That wasn’t good enough for Mr. Chandler, who is also thinking about dumping his Aerogold Visa, in favour of either ScotiaGold Preferred Visa or RBC Royal Bank Visa Gold Preferred.

Both cards are great for peripatetic types, offering travel emergency medical insurance (which would cost about \$76 for two adults on a two-week trip), rental car collision insurance (\$210), and trip cancellation/trip interruption insurance (\$150), and much more in exchange for relatively low annual fees of \$95 and \$110 respectively.

And, yes, for the perks-positive, both allow users to collect and redeem reward points.

In case road trips are more your thing, Post reader Ian Richmond of Calgary recommends the TD Canada Trust GM Card, which allows him to spend his way to discounts of up to \$3,500 on a new vehicle.

“I am a Scot and have one basic requirement: no fee. I pay my bills with my credit card and if I can get some kind of return, then so much the better,” is his philosophy. Interest charged on unpaid balances is the fairly standard 18.5%, and you can get up to three supplementary cards free.

Reward points accumulate fast enough to have allowed Mr. Richmond two redemptions in as many years. Combined with GM’s 0% promotions, he says, “it makes for goofy financing! The 2001 Cavalier cost me – in cash payments – [around] \$6,000, and I traded it in last year on another GM vehicle for \$7,200.

“Although the reward system is restricted to GM vehicles only, we have done well.”

Although Mr. Richmond remains happy, many longtime cardholders complained in January, 2003, when rewards were trimmed from 5% to 3% of purchases, and the redemption allowance modified from a maximum of \$1,500 on lower-priced vehicles, such as a Chevrolet Cavalier, or \$3,500 on higher-priced vehicles, such as a Buick Rendezvous.

But reward cutbacks can happen with any card. And it’s tough to complain about diminishing returns when the investment cost you nothing in the first place.