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## Let Credit Cards Pay For a Free Vacation

Credit cards are a sucker's game for 65% of American cardholders, as they pay interest that averages 15% and higher to corporate loan sharks. For these people, credit cards should be destroyed to facilitate paying down debt. For 35% of Americans, credit cards are used wisely for convenience purposes, paying off their balances every month. If you have shown discipline using credit, have a high credit score and have not carried a balance on revolving debt for over five years, then those same corporate loan sharks can pay for a free vacation.

Card companies covet two kinds of customers — those who hold balances and are charged usurious interest rates and those who pay off their balances every month, but engage in many transactions. The only group of non-defaulters credit companies do not like are people who pay their balances off every month and rarely use their cards. To entice individuals who pay off balances to use their cards, rewards programs have evolved. Originally started as up to 1% cash back with Discover in the 1980's, rewards programs have exploded into a bidding war between card issuers. It is not unusual to offer hundreds of dollars' worth of airline miles for new card sign ups. Those miles can be used to pay for domestic airline fares for two plus hotel accommodations.

First, sign up for loyalty programs where miles and points can be used. For example, if United Airlines offers routes from a local airport to a destination you desire, open up a United One Pass account and, if you like Hilton or Starwood branded hotels, open a Hilton Honors or Starwood Preferred Guest account. It is free to join and there are no fees. Then choose credit cards that offer large sign up bonuses for those programs. For instance, the MileagePlus Explorer credit card by Chase gives 50,000 in bonus sign up miles for opening the card and spending \$3,000 within the first three months as well as two free United Club passes, free checked bag and priority boarding for cardholders, with the \$95 annual fee waived for the first year. So Chase, partnered with United, will give you enough miles for two free airline tickets. If you need two more airline tickets for a family of four, that may also be achieved. After you receive your MileagePlus Explorer card, apply for a Chase Sapphire Preferred card, currently offering 50,000 bonus points after spending \$4,000 in the first three months, with the \$95 annual fee waived for the first year. Those points can be converted into United Airline miles on a 1:1 ratio giving you the additional two free airline tickets.

For hotels, applying for the American Express Starwood card will give you 30,000 bonus Starpoints after spending \$3,000 in the first three months, the \$95 annual fee is waived for the first year or the no fee American Express Hilton Honors Card that offers 50,000 Hilton Honors bonus points after spending \$1,000 in the first three months. 30,000 Starpoints is enough for ten free nights in Starwood's lowest reward tier of hotels and three free nights for mid-tier hotels, while 50,000 Hilton Honors points is enough for two nights in its lowest reward tier hotels.

With some advanced planning, an individual or couple can get three of these credit cards, if they can meet the spending obligations and have airfare for four plus hotel nights on a domestic vacation from free points and miles. When the first year of waived credit card fees ends, just cancel the cards to avoid the annual fees. I am not encouraging spending to meet these bonus thresholds, but individuals who spend such sums already might as well be rewarded for the spending that they already do. It goes without saying, for those who carry balances, the interest charges would overwhelm any benefit from bonuses and, therefore, this strategy is not for you.

For those of you worried about your credit score, don't be. When credit score metrics were adjusted a decade ago, the impact of new credit applications was adjusted to be only a 10% factor on your score and the impact of closing an account that had been open a year was also minimized. As highlighted in the beginning, if you have paid off your balances in full for the last five years, you will have a solid credit foundation that will allow for these point and mile maximizing tactics with little negative impact.

There are dozens of credit cards available offering miles or points, which would be impossible to cover here. There is even one card that at times offers 100,000 points equal to four domestic airfares. It is an interesting hobby to pursue for spending you engage in already. This is the one time the corporate loan sharks pay you for borrowing their money for a month.