

An ounce of loyalty...

I'm not going to do it. I'm just saying no. I don't want the 10% off if I agree to open a credit card at the register (even if I will get 10% off on future purchases). I don't want to use the card that promises cash back rewards at the end of the year. I don't want to use the card that promises triple air miles on certain purchases. I am putting up my hand and saying No thanks.

Last weekend, my sister was in from out of town and we went to the mall to do some shopping together. I found a couple of things and went to one register, she took her purchases to another. While I was writing out my check, I could hear the clerk asking my sister if she'd like to open a store credit card, and highlighted that not only would she receive a discount if she used that card there in the future, but that she would receive 10% back in cash on any purchases she made this year. My sister accepted and proceeded with the brief application process. At the same time, my clerk was asking me if I wanted to take advantage of the same offer. I simply said, No thanks. However, the clerk asked me again, and emphasized what a good deal it was to have and use the store card. I again said No thanks. "Are you sure?" she insisted, as if I wasn't quite aware of what a deal I was passing up. Yes, I replied. No thanks.

Why did I pass up that deal? Why wouldn't I want to get some cash back at the end of the year? Why not get the discount now? Why wouldn't I want to add that new card to my wallet? Is it because I know that when you apply for credit, your credit score takes a hit? Is it because the more times I give out my Social Security number (especially in public at the register), I risk having my identity stolen? Is it because I don't need to charge purchases I have the money to pay for now? Yes, those are perfectly legitimate reasons to say No thanks to a clerk offering a credit card at the register.

But the real reason I just said no was because there really isn't a deal when you use a store card. This store wasn't offering me anything different from the card that I already have that I could have used that offers cash back on purchases at the end of the year or that offers me points or air miles. The reason I say No to new credit cards is that these offers are nothing more than loyalty programs.

What do I mean by that? When you're done reading this, look around you and listen a little more carefully to the messages about credit that are out there. They all seem to offer you something good that will help you. But why? Because they are competing for your money. They may call it competing for your business, but ultimately it is competition for your money. If you use their card, you are paying them interest and fees, and you are not paying interest or fees to the other company. First, they want you to use credit, then they want you to use their credit card. There really is no deal out there that is helpful to you – have you ever heard of a corporation that is actually giving money back to a consumer? They don't lose a dime by giving you 10% back now. They are encouraging your loyalty later. You may never go to the mall or into that store, but if you know you will get 10% back every time you buy AND cash back, you're more likely to shop there, or use credit, when you normally do not.

They get into your head, these loyalty programs. I speak to perfectly intelligent, professional, sophisticated people all the time who say, I'm using this card so I can get the points. Have you ever looked at what you get for those points? And who really cashes them in? It's a huge effort to find the website where I can go to cash in my credit card points. And when I do cash them in, the options are really limited, and every point is worth about a tenth of a penny, which means you have to spend \$100 to earn ten cents. So for the 8,000 points I cashed in last year, I

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chose a \$10 gas card, a steam mop that retails for about \$19.99 on an infomercial I once saw, and a pair of binoculars made in China. Is the hope of one day being able to trade in points for such amazing booty as a gas card, a steam mop and binoculars (that I have yet to use) worth using credit and putting off payment when I have the cash to pay for my purchases now?

In order to get into the loyalty game, your local bank even has a program. I'm sure there is some kind of offer they make to you if you use your debit card. One local bank was recently promising to give you a quarter back if you made a \$25 purchase with their debit card. Are you kidding? Spend more than you might normally all for 25 cents cash back? Notice the pattern here? Anyone who thinks debit cards are different from credit cards has not been paying attention.

I want you to look at how you make decisions about how you pay for purchases. Do you use a credit or debit card when you don't need to (or shouldn't) because of the lure of points or cash back? If so, you are doing what your bank or credit card company wanted you to do, and I believe you aren't in control of your spending, you are letting someone else make decisions for you: which card to use, which stores to shop in, even how much to spend per purchase. If you are trying to get in the habit of saving money (putting money in the bank) and building wealth, then one way to start is to stop using credit. Don't listen to messages about credit in the media, don't fall prey to the loyalty programs, and get on track with a budget that includes saving money in the bank. Liberate yourself. Start by saying No thanks.

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