

Spending Hacker

Spend Less and Get More
Digging Up Deals You Actually Need and Use

Best credit cards in Australia

Have you ever heard the term OPM?

Well, if not, it means "Other People's Money".

Sometimes it is wiser and makes more sense to not spend your own money but instead use OPM for your purchases. The only thing you need to remember is that usually, when using OPM, you need to pay it back to someone and more often than not, with interest!

A credit card is one such OPM tool and has become a ubiquitous part of life in the modern world. Like most tools, it can be used in a way that is very beneficial to you but used improperly, can absolutely destroy you and put you on a rolling debt spiral on the fast track to the poor house.

Also, the type of credit card product you get, its features as well as the associated interest rate and fees can make a HUGE difference in your finances.

Let us assure you, getting this one wrong will hurt you and bring more grief to your life than getting the wrong type of phone plan or that pair of shoes you bought during the latest sale which you really liked at the time but now realised that don't quite fit you after all.

We don't want this to happen to you!

Like we already said, credit cards are an important part in the toolset of the modern consumer. They allow both consumers and business owners to better 'smooth out' their expenses to correspond better with their individual cash flow patterns. It also allows you to keep your own money for longer and either earn interest on it or use it for other purposes (e.g. keep it in a mortgage offset account).

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However, credit cards also have a 'dark side' and those who ignore it, do it at their peril! Unless you pay your outstanding balance **in full** by its due date, your purchases will start accruing interest *from the day they were made* (NOT from the due date on your credit card statement, this is a common misconception).

The **INTEREST RATES** on credit cards are nothing less than exuberant and are often around the 20% mark (especially if they include some sort of a rewards scheme) and once you start facing those rates, it's like being hit in the stomach (or the groin for our male readers) - It's very hard to get up and recover from that and to extinguish your debt.

Also, credit cards come with another sting in their tails: **FEES & CHARGES**.

Before you even start using many of them, you are hit with an annual fee and sometimes also an annual rewards program fee. Then, once you already use them and maybe exceeded your credit limit by accident, you cop a fee. Try and use it to make purchases overseas or online (to, god forbid, try and bypass the ridiculously high prices we pay on everything in this country) and you cop another fee. To make matters worse, this currency conversion fee (sometimes also referred to as 'foreign currency', 'foreign transaction' etc) is charged as a *percentage* of the purchase amount rather than a fixed dollar amount and can range from anything between 2% and 4%. OUCH!

Now, we're sure that the following question will be on the minds of many of you: "What about all those reward schemes like flybuy points and Frequent Flyer points? Are they worth the fees associated with having access to them?"

Well, the short and simple answer is: NO!

The longer answer is: only if you can negotiate a special deal whereby those fees are significantly reduced or waived altogether. This is often possible when the financial institution is running a promotion to entice *new* customers (remember what we said about loyalty in one of our other reports?) and offers to waive any annual fee and/or rewards fee for the first year.

A more permanent solution is available to those of you who have, or are about to take, a mortgage with a particular financial institution and opted to go for one of their so-called 'packaged' loans whereby you pay a single annual fee for the 'package' and in return get discounts on your interest rate as well as other benefits such as a waiver from annual fees on various credit card products, including those with rewards programs.

What you need to understand first and foremost is that the financial institutions and the various companies offering those reward schemes (Coles Flybuys, Woolworths Rewards, Qantas Frequent Flyer, Virgin Velocity etc) are making an absolute motza out of them! Those schemes are there to benefit them, not you!

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They usually offer an atrocious conversion rate between those amorphic 'points' and anything of value and you are almost always better off just going out and buying what it is that you are after rather than accumulating the astronomical amount of points needed to 'redeem' it.

Bottom line, we don't like them and definitely don't think they are worth paying for.

When we come to decide on a credit card to recommend to you, we consider two things and two things only:

1. Fees and charges; and
2. Interest rates.

These are the things that really matter!

We want a card that is very very cheap to use which means low (or preferably no) fees and a low interest rate that will allow you to get rid of any debt you carry on any of your current cards FAST. The faster you get rid of the debt, the less overall interest you will pay and the quicker you will have extra money available for you to use on other and more productive things in your life.

We have found such a card for you which we reckon fits the bill perfectly: the [Zero Classic Mastercard](#) from Bankwest.

This card comes in three different levels: Classic, Gold and Platinum.

The level you will qualify for is determined by the bank based on your income and the credit limit they will approve you for. However, regardless of what level you will get approved for, all card holders will get:

- ZERO annual fee for life with no strings attached. Plain and simple
- You will never be charged a fee for exceeding your credit limit. The bank will simply decline all transactions once the approved credit limit on your account has been exceeded.
- 55 Days interest free purchases (provided you don't carry any balance on the card)

If you are able to qualify for the **Platinum** level of Bankwest's Zero Mastercard, you will get the following *additional benefits*:

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- You'll pay **no currency conversion fees** when using your card overseas or online;
- **free overseas travel insurance** for you and your traveling companion; and
- An **extra 12 months of extended warranty** on any item you buy with this card.

If you qualify for the **Gold** level, you'll also get the free overseas travel insurance and extended warranty, in addition to all the other benefits offered to the 'Classic' level, but will need to cough up the 2.95% fee of "Foreign Transaction Fee" for purchases made online or overseas in a currency other than Australian Dollars.

If that's not good enough, read on!

We suggest that if you are in the market for a credit card, you first try and get the [Platinum Zero Mastercard](#) from Bankwest unless you know for a fact that you probably won't qualify due to your level of income (If you make say below 50K p.a than you probably won't qualify), high level of outstanding debts or poor [credit score](#).

If you can't qualify for the Platinum Zero Mastercard, it is now decision time: what's more important to you: Low fees or low ongoing rate on purchases?

If you are the kind of person that usually pays their credit card *in full* every month by the due date, we suggest that you focus on the **fees**.

If you tend to carry a balance on the card, we suggest you focus on the **ongoing interest rate** on purchases (after any promotional offer on balance transfers and/or purchases has ended).

We will now present what we think is the best credit card product, based on the decision you've made above.

Low fees are more important

You should apply for the [28 Degrees Mastercard](#) from Latitude Financial (formerly known as GE Money).

The card has no annual fee, no over-the-limit fee and no foreign currency conversion fee which means you can use it when travelling overseas or just shopping online without paying extra.

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The only thing you must remember with this card is that you **MUST ALWAYS** pay your monthly balance ***in full*** by the due date.

If you don't, you will be hit with an **interest rate of 22% on any outstanding balance**.

OUCH, that hurts!

Ongoing interest rate on purchases is more important

First of all, if you regularly struggle to pay the outstanding monthly balance of your credit card in full, we reckon you should seriously consider if you can trust yourself to use this type of product!!

Sorry for the 'tough love' but that is definitely warranted in this instance.

We reckon that the ONLY way to use a credit card responsibly is to always (always!) pay the monthly balance in full.

If you don't do that, the banks will love you very much indeed (as you are a profitable client for them) but you will also be on the fast track to the 'poor house' and should expect little to no sympathy from them.

If, despite our warning, you are still keen to pay Interest on your credit card purchases (*seriously? Are you sure?*), the one thing that you absolutely **MUST** do is to get the absolute lowest interest rate on offer!

The ***absolute lowest ongoing interest rate*** currently offered on a credit card in Australia is **7.99%** and is offered by My Credit Union on their [Low Rate Visa Card](#).

Other than the Interest rate, here are the other things to know about this card:

- ❑ There is an annual fee of \$59 but it's waived in the first year.
- ❑ New purchases come with an Interest-free period of 55 days. However, if you don't pay the monthly balance in full, the interest will accrue from the ***date of the original purchase***. Watch out for that one!
- ❑ The minimum monthly repayment you must make every month is 5% of the outstanding balance or \$20, whichever is higher. Saying that, if you only intend to make the minimum monthly repayments on your purchases with this card, **DO NOT GET IT** (or any other credit card for that matter)! For your own sake, stick to debit cards (where you use your own money) and cash only.
- ❑ For every month you don't pay at least the minimum monthly repayment mentioned above, you'll get slugged with a \$20 late payment fee.

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- ❑ If you take a cash advance on the card (again, NEVER EVER do that. If you take cash advances on a credit card, you are not suited to have this kind of product!), you'll get slugged with an interest rate of **11.99% from the moment you withdraw the money.**
- ❑ If you make purchases with this card in a currency other than Australian Dollars (either online or when travelling overseas), you'll cop a currency conversion fee calculated as 2% of the purchase amount.

You can download the fact sheet for this credit card product [here](#).

This brings us to the end of this report.

Hopefully, you found it useful and it has helped you to clear the confusion and figure out the best product for you out of the hundreds of various credit card products currently available in Australia.

Like all our other reports, this report will also be updated regularly to reflect changes in the offerings from the various providers as we are committed to making sure you continue to always get nothing less than the *absolute best* deal.

Thanks for reading.

Important disclaimer:

This guide is provided for informational purposes only and does not constitute financial product advice.

We are not licensed financial advisers and in compiling this guide, have not taken into account your specific financial situation and particular needs.

Only a licensed financial adviser is legally allowed to provide personal financial advice (including specific product advice). If you would like to see one, [this guide](#) should help you choose the right one for you.

We strongly suggest that you never borrow money (through a credit card product or any other lending product) unless you are confident of your ability to repay it.

Failure to repay the outstanding monthly balance in full will cause your debt to increase rapidly due to the effects of compound interest.

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