

Winning the Game of Finance



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Financial management is, in part, a game. It comes not only with certain rules, both also with incentives and penalties. There are rewards for making astute choices, though doing so can require both spending time with the “rulebook” and thinking thorough the various options.

My wife and I going through this right now with a vacation we’re planning. I have miles on American Airlines and she has a large number of points on a credit card. In trying to figure out the best way to use both, one thing has become clear: We need to reevaluate our choices of credit cards. If you truly understand your spending patterns (meaning the types of businesses you mostly spend money at), it is possible to more efficiently make use of credit card rewards and thereby boost your savings rate. What I haven’t done yet—and doing so will require some legwork—is to figure out whether it’s better to get airline miles or cash back. I do think the answer partially depends on how much one travels. Of course, the big key is to never carry a balance from one billing cycle to the next. (For those who do carry credit card debt, balance transfer offers can lessen, but not eliminate, the penalty of doing so.)

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