

# Analysis of the benefits of Maximizing Credit Card Cashback

Credit cards are a vital part of becoming financially independent in North America. There were 526.2 million credit card accounts in 2022.<sup>1</sup> It is estimated that 84% of U.S. adults had a credit card in 2021. This accounts for roughly 191 million Americans with at least one credit card account.<sup>2</sup> With the ongoing affordability crisis and increasing prices maximizing credit card rewards is an opportunity to lessen the impact of this effect. Ordinarily, doing so would mean spending time decoding the ins and outs of credit card rewards, making software which does this automatically desirable.

We must first examine the most common rewards to calculate the average amount saved by maximizing credit card rewards. We will not use credit cards only obtainable by having an excellent credit score as those are unattainable for many. We will also refrain from using credit cards with an annual fee. By far, Chase has issued more cards than other institutions, with more than 149 million Chase credit cards in circulation.<sup>3</sup> According to Chase's website, the most popular credit card they issue is their Chase Freedom Unlimited<sup>®</sup> credit card.<sup>4</sup> This credit card boasts 3% cash back for dining at restaurants, drugstore purchases, and takeout. It gives 5% back for travel purchased through Chase Ultimate Rewards and 1.5% back on all other purchases.

## The Average American Budget

The average American monthly credit card balance is 5910 USD.<sup>5</sup> The table below outlines selected average monthly costs sorted by category.

Category	Average Monthly Cost (USD)
Gas	200 <sup>(6)</sup>
Groceries	373.50 <sup>(7)</sup>
Utilities (Electricity, Phone, Gas, etc.)	600 <sup>(8)</sup>
Travel	150 <sup>(9)</sup>
Impulse Purchases (Retail)	314 <sup>(10)</sup>
E-commerce	407 <sup>(11)</sup>
Automotive Repairs	121 <sup>(12)</sup>
Health and Fitness	503 <sup>(13)</sup>
House Repairs	251.5 <sup>(14)</sup>
Fast Food	100 <sup>(15)</sup>

<sup>1</sup> <https://www.experian.com/blogs/ask-experian/state-of-credit-cards/>

<sup>2</sup> <https://www.forbes.com/advisor/credit-cards/credit-card-statistics/>

<sup>3</sup> <https://www.forbes.com/advisor/credit-cards/credit-card-statistics/> (Nilson report would be useful but that costs \$6000)

<sup>4</sup> <https://creditcards.chase.com>

<sup>5</sup> <https://www.experian.com/blogs/ask-experian/state-of-credit-cards/>

<sup>6</sup> <https://www.jdpower.com/cars/shopping-guides/how-much-do-people-spend-on-gas-each-month>

<sup>7</sup> USDA average monthly budget for 19-50 year old male;

<https://fns-prod.azureedge.us/sites/default/files/media/file/CostofFoodFeb2023LowModLib.pdf>

<sup>8</sup> <https://www.move.org/utility-bills-101/>

<sup>9</sup> <https://www.travelandleisure.com/travel-news/how-much-americans-spend-on-travel>

<sup>10</sup> <https://www.fool.com/the-ascent/personal-finance/articles/the-average-american-spends-this-much-on-impulse-purchases/>

<sup>11</sup> <https://www.cnn.com/2023/01/05/economy/holiday-shopping-adobe/index.html> (211.7 billion/(260 million US adults \* 2 months))

<sup>12</sup> <https://www.nerdwallet.com/article/loans/auto-loans/total-cost-owning-car>

<sup>13</sup> <https://www.athsport.co/blogs/news/how-much-do-americans-spend-on-their-health-and-fitness>

<sup>14</sup> <https://www.angi.com/articles/most-expensive-states-for-home-maintenance.htm>

<sup>15</sup> <https://eatpallet.com/fast-food-statistics/>

We will assume the rest of the credit card balance to be due to other categories, such as bill payments, other transportation, clothing etc.

## A Sample Wallet

We will now look at other cash-back credit cards and determine the average benefits of maximizing credit card cashback rewards.

1. U.S. BANK CASH+® VISA SIGNATURE® CARD gives 5% cash back on your first 2000USD spent per quarter on two categories you choose (500 USD/month)
2. Discover it® Cash Back Credit Card gives 5% cash back on your first 1500 USD spent per quarter on grocery stores, restaurants, and gas stations (375 USD/month)
3. American Express Blue Cash Everyday® credit card gives 3% back on groceries, US online retail purchases, and gas for up to \$6000 each per year (500 USD/month)
4. Wells Fargo Active Cash® Card gives 2% cash back on every purchase
5. CITI Custom Cash<sup>SM</sup> Card gives 5% back on your highest eligible spend category (One of restaurants, gas stations, grocery stores, select travel, select transit, select streaming services, drugstores, home improvement stores, fitness clubs, live entertainment) up to 500 USD/month.<sup>16</sup>
6. Upgrade Triple Cash Rewards gives unlimited 3% back on home repair, automotive, health, and fitness costs.<sup>17</sup>
7. Bank of America® Customized Cash Rewards Credit Card gives 3% back in a category of your choice.

We will use our U.S. BANK CASH+® VISA SIGNATURE® CARD and Discover it® Cash Back Credit Card for our utility purchases, restaurants, and some on gas, using the full advantage of the rewards at 875 USD. Our American Express' Blue Cash Everyday® credit card shall be used for online purchases and the rest of our gas payments at 500 USD. We will then use our CITI Custom Cash<sup>SM</sup> Card for groceries totalling 373.50 USD. Using Upgrade Triple Cash Rewards for our auto, fitness, and house repairs we would use 875.5 USD. Finally, we will use the Bank of America® Customized Cash Rewards Credit Card for our fast food purchases of 100 USD. This leaves us with 3186 USD left and we will use a conservative estimate by assuming that all of this is spent on the Wells Fargo Active Cash® Card which gives 2%.

The cashback we would get with Chase Freedom Unlimited® credit card is approximately  
 $5910 * 0.015 = 88.65 \text{ USD}$

With the optimized cards, we would get

$$875 * 0.05 + 500 * 0.03 + 373.50 * 0.05 + 875.5 * 0.03 + 100 * 0.03 + 3186 * 0.02 = 170.41 \text{ USD}$$
$$170.41 - 88.65 = 81.76 \text{ USD}$$

After all these calculations, we obtained a conservative estimate of 82 USD saved per month. Using credit cards with annual fees and cards which can only be obtained with excellent credit scores will push this number even higher as those cards have higher cash back and rewards. Moreover, we are only looking at cash-back cards. Including rewards points will increase this number as well.

## Relevance

24.78% of people use credit cards for their perks<sup>18</sup>, and many people get credit cards because of travel rewards<sup>19</sup>, which can be better than pure cashback. Having a centralized location for all peoples' credit

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<sup>16</sup> <https://www.citi.com/credit-cards/citi-custom-cash-credit-card>

<sup>17</sup> <https://www.upgrade.com/upgrade-card/triple-cash/categories/>

<sup>18</sup> <https://www.gobankingrates.com/uncategorized/the-top-reasons-people-use-credit-cards-may-surprise-you/>

<sup>19</sup> <https://www.gobankingrates.com/uncategorized/the-top-reasons-people-use-credit-cards-may-surprise-you/>

card balances and timelines will incentivize opening more credit card accounts to get more perks without adding stress while simultaneously increasing the value of credit card reward maximization. Credit card debt is increasing, and people need to find a way to save as much money as possible and budget in an effective and not so time-consuming manner.<sup>20</sup>

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<sup>20</sup> <https://www.finder.com/credit-card-statistics>