

Profit from Holiday Credit

The Motley Fool

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Even the most fastidious money managers can appreciate a little financial relief around the holidays — a special discount, a cash rebate, or a free teddy bear dressed up like one of Santa's elves. These little perks pop up around the holidays more often than glittering lawn deer as inducements to get busy holiday shoppers to sign up for credit cards and special financing offers.

If you're a savvy consumer, you can take advantage of holiday financing promotions to grab some perks, postpone a few bills, and collect a whole sleigh full of stuffed animals. Let your guard slip, however, and you'll be forking over some extra cash for unexpected finance charges. Here's how to make the most of three common credit promotions:

Department-store discounts

The hook: The perky saleslady promises you 10% off today's purchases when you apply for the store's special credit card. You'll find purchase promotions for immediate discounts at a range of stores, including **Macy's** (NYSE: M), **J. Crew** (NYSE: JCG), and **Amazon.com** (Nasdaq: AMZN).

The advantage: If you're shopping with a holiday budget, this can be a real savings. A one-time discount, especially on a major purchase, can put some money in your pocket. If you're a regular at this particular store, the card may offer benefits you can use year-round. You can maximize this benefit by planning ahead and buying a bunch of gifts at once.

The danger: There are [plenty of reasons](#) to avoid store credit, but high interest rates rank at the top. If you overindulge this holiday, you'll probably pay more interest on department-store cards than on your regular credit card. Bankrate reports that the average variable credit card rate hovers around 14%. But if you pick up a card at one of the stores mentioned above, rates start at 16.49% at Amazon, 21.49% at J. Crew, and 22.9% at Macy's.

Buy now, pay later

The promise: Hundreds of retailers, from **Wal-Mart** (NYSE: WMT) to Petco, offer the payment services of Bill Me Later, a company that arranges instant credit for online and telephone purchases. Using this method, you can find special offers to postpone the day of reckoning for 90 days.

The advantage: If you know you'll be paying off all your purchases in January, pushing a few bills into February and March may not be such a bad idea. You'll avoid a few months of finance charges that you could expect to pay if you charged all your gifts. If you overindulge, you'll give yourself more time to recover.

The danger: Let the deadline for payment slip, and you'll probably pay more in interest than your regular credit card would charge. Bill Me Later charges 19.99% on purchases it ends up financing. That interest rate gets charged retroactively to the day of your purchase, so you miss out on any grace period that your credit card might have given you.

Perks and points

The promise: You're not just holiday shopping, you tell yourself as you wander merrily through the mall. Because you've got such a great credit card, you're also paying for college, accumulating vacation mileage, and donating to your favorite charity at the same time.

The advantage: Work these bonuses like a professional and you can cash in on travel, gift cards, or good old-fashioned money. You get something extra for money you planned to spend anyway. That's in addition to the [other perks](#), like convenience, fraud protection, and a nice payment grace period.

The danger: Do you really need one more reason to rationalize a purchase that you shouldn't make anyway? When a few extra purchases put you over budget, you'll still be paying for your holiday frivolity when it's swimsuit season. If you're the type to talk yourself into overspending during the holidays, leave your fancy plastic at home and hit the mall with a wad of cash instead.

If you want some more help keeping your sanity this holiday season, keep reading and find out how to: [holiday madness](#); cure last year's [overindulgence](#); and [gussy up](#) your credit card for holiday shopping.

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