



Investment Insights

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How About A Free Vacation?

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How would you like a free trip to Cabo San Lucas just for paying your bills? A \$90 round trip airfare to London? Not only is it possible, thousands of people do it each year. I've personally found it to be one of the best deals I've ever come across. And all it involves is changing the way you pay for things.

Here's the trick: get a credit card that gives you frequent flier miles, then run all of your regular living expenses through it. It sounds too simple, but think about how much you spend just on living expenses every month; thousands of dollars for housing, food, utilities, cars. If you own a business, there's even more opportunity to garner miles.

I adopted this technique after a friend suggested it to me ten years ago, and it has worked wonderfully. Now, I run as much of my personal and business expenses through my credit cards as possible, paying off the balance in full each month to avoid interest charges. Instead of paying the published airfare of \$300+ for my annual fly fishing trip to Canada, I usually fly for free, paying only the taxes of \$50 or less. And I've flown my dad here from England using these accumulated miles for \$90 round trip!

Here are a couple of tips on how to get started on this plan. First, find a credit card that rewards you with miles you know you'll use. For example, if you fly domestically, a card from a regional carrier like Alaska Air or Southwest might be a good choice. If you aspire to travel internationally, look for a card issued by an international carrier. You can also check out cards issued by companies like Capital One that allow you to use the accumulated miles on a wide variety of carriers. The rewards-card industry is changing every day, so root around for the best deal based on your spending and travel habits. Check out www.rightcreditcards.com for a good synopsis of frequent flier and rewards cards.

Second, set up as many of your expenses as possible to run through your credit card. Go through your checkbook and debit card records and see how much of that you can pay via credit card. Using a card to pay for things like cell phones or mortgages may go against your conservative nature, but it's easier than writing a check, and you benefit from every dollar you spend by capturing more miles. Many service providers allow you to sign up for auto-pay using your credit card on their websites, so getting this set up is relatively easy. You can even pay your taxes using your credit card, which can result in big chunks of miles—thanks, IRS.

Thirdly, make sure you pay off the balance every month. I would suggest setting up online access to view your balance frequently so you know when to pay and can pay with the click of a button. If you carry a balance, and incur the ridiculous interest charges most cards assess, it will offset any benefit of free miles.

Finally, be very careful about the airline you accumulate miles on. Right now, many of the largest US airlines are either bankrupt or headed in that direction. Your accumulated miles are typically not protected from a company going out of business, and you are not considered a creditor in bankruptcy proceeding, so the chance your miles get wiped out is real.

We're moving to an age of plastic, where the old methods of cash or check are quickly going away. Whether we are comfortable with that or not, everyone from retailers to financial institutions will continue to promote the trend towards electronic banking. Adapting to this change in a way that offers great benefits is both smart and simple, and you may get a nice vacation out of it!

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