

# When Does it Make Sense to Redeem Card Rewards for Gift Cards?



By: [Matt Alderton](#)  
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Credit cards make it easy to spend money you don't necessarily have. But when used responsibly, they can also make it easy for you to save money, whether in terms of cash back or travel rewards.

Accumulating points, miles or cashback rewards can be used as statement credits, free travel, merchandise or even gift cards. Of course, to get the most value of your rewards, it helps to know exactly the value of the points, miles or cash back you're trading. As it turns out, gift cards aren't always the best option.

In this article you'll learn why — and when it might make sense to redeem your reward points for them anyway.

## Why redeeming points for gift cards might be a bad idea


When you signed up for your rewards card in the first place, you probably had a good idea about how you wanted to use your reward points. If you [choose a travel card](#), for instance, you probably signed up for it imagining the many dream vacations you would take using all the miles you'd earn on future purchases.

Now that you've accrued a sizable stockpile of rewards, however, reality is setting in: Perhaps you don't have enough points for an airline ticket to where you want to go, or maybe you've already used all your vacation time at work. Meanwhile, you'd really like a new refrigerator, or a new computer. Suddenly, a gift card might sound a lot more attractive than a plane ticket.

If you find gift cards appealing, you're not alone: Nearly two-thirds of consumers (64%) have purchased a gift card for themselves, according to a study from merchant services company First Data. The same study says the average consumer purchases eight physical gift cards and 6.3 digital gift cards every year.

Clearly, gift cards are popular. But when you buy them with credit card points, they might not be lucrative. It's a question of simple math: Every rewards point you have is worth dollars or cents, and points often are worth more when they're redeemed for travel than for gift cards.

Consider, for example, [Capital One® Venture® Rewards Credit Card](#). An analysis by CompareCards of one cardholder's reward points showed that 100 miles were worth \$0.80 when redeemed for a gift card and \$1 when they were redeemed for travel. If the cardholder earns 2 miles per \$1 spent, that means he or she would have to spend \$250 to earn a \$500 plane ticket, but \$625 to earn a \$500 gift card.



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Or take the [United™ Explorer Card](#), which earns you [miles as part of United Airlines' MileagePlus loyalty program](#). With as few as 30,000 MileagePlus miles, you can purchase a one-way economy fare from the United States to Europe; the same miles will get you a gift card worth \$165. Although airfares vary based on destination, time of year and time of day, economy round-trip flights to Europe can potentially cost up to \$1,000 or more.

## When redeeming points for gift cards might be a good idea

When you expend effort to earn rewards, you should always seek the best value when it comes time to redeem. But not everyone has the same cards in their wallet, or the same circumstances in their life. There might be some situations where it could make sense to redeem points for gift cards instead of travel, even if they're worth less. Here are five of them:

### 1. When redemption policies change

Reward cards' redemption policies are not written in stone. They can change at any time. When they do, you should do the math to determine if the changes benefit you. If rewards now seem out of reach, for example, or non-travel rewards increase in value, it might be worth giving gift cards another look. Gift card values are not set in stone either. For example, card issuers sometimes offer temporary gift card discounts or sales during which you can obtain gift cards that have higher values in exchange for fewer points. Suddenly, gift cards that normally are a poor value for points might become a great value.

### 2. When you need the money

Hardship happens. In fact, 40% of Americans say they cannot afford a \$400 emergency expense, or would have to borrow money or sell something in order to cover one, the Federal Reserve Board reported in its 2018 "Report on the Economic Well-Being of U.S. Households." If you have an emergency of your own, the fact that you can redeem rewards for gift cards, which you can use for gas, groceries and other household expenses, can be a lifesaver.

### 3. When your points are about to expire

With most rewards cards, points and miles are everlasting as long you continue to use the card. With some rewards — particularly from co-branded cards — including those aligned with airlines and hoteliers, can expire after a given period if you fail to earn new miles or points, or to use existing ones. If you have a travel card on which your rewards are about to expire, and you're not in a position to book travel, either because you don't have enough points to do so or because you don't have the time or budget for a vacation, redeeming miles or points for a gift card can be a smart move.

### 4. When you want to cancel your card

There are a few reasons you might want to cancel a credit card. For example, if you're getting a divorce and have a joint card with your spouse, or if you have a problem with habitual debt and maxing out your cards or if you have a credit card with an annual fee that you can no longer afford. Before you close your account, however, you'll want to redeem all of your rewards if they are tied directly to the card. Otherwise, you'll lose them. If you can't use them for travel, you might as well use them for gift cards.

### 5. When you can't or won't travel

It can take tens of thousands of miles to qualify for a free round-trip flight, and twice as much if you want a ticket for your travel companion. And when you get to your destination, you'll still need cash for a hotel, meals and everything else a typical vacation requires. Plus, most people will need time off work, and some might need to arrange for child and/or pet care while they're gone. If you can't afford the full cost of a vacation or manage the time away from home or work, then gift cards might make sense. After all, it's better to get something for your points than nothing.

## Other redemption options

Of course, travel and gift cards aren't your only redemption options. You also might consider:

- **Transferring rewards to another loyalty program:** If you're saving points for a specific purpose, like travel, you might want to consider transferring them from your rewards card to your favorite loyalty program, if that option exists. If you are able to transfer points or miles to an airline or hotel loyalty program, for example, you can pool your rewards and monitor progress toward your goal in one convenient location. Plus, your rewards might actually be worth more when you redeem them via your loyalty program versus your card issuer.
- **Using rewards to buy merchandise:** You can redeem points for a gift card that you can use to purchase anything from new luggage to a new TV. Or you can redeem points for the merchandise itself. Although merchandise is typically more expensive when it's purchased with rewards — a Tumi carry-on bag that retails for \$595, for example, requires 81,500 United MileagePlus miles, which is the equivalent of \$815—the convenience and immediacy of getting something you really desire might be more important to you than reward value. It just depends what your priorities are.
- **Redeeming points for statement credit:** If you're facing financial hardship — if you busted your budget this month, for example — using points for a statement credit that covers a portion of your credit card bill can help ease the pressure.

## The bottom line

If you have a rewards card with a high points balance, it might be time to cash in your chips. Before you do, however, it pays to consider what your rewards are actually worth. If you want to get the most money for your miles, travel rewards are hard to beat. If your personal goals and circumstances warrant it, however, gift cards can be an equally "rewarding" way to spend your hard-won points.



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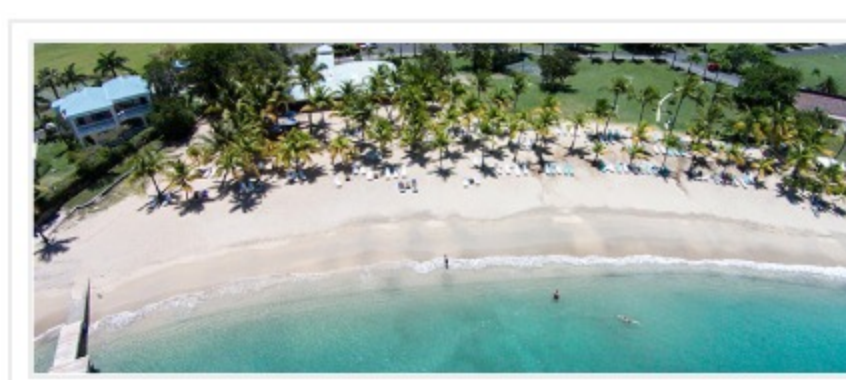
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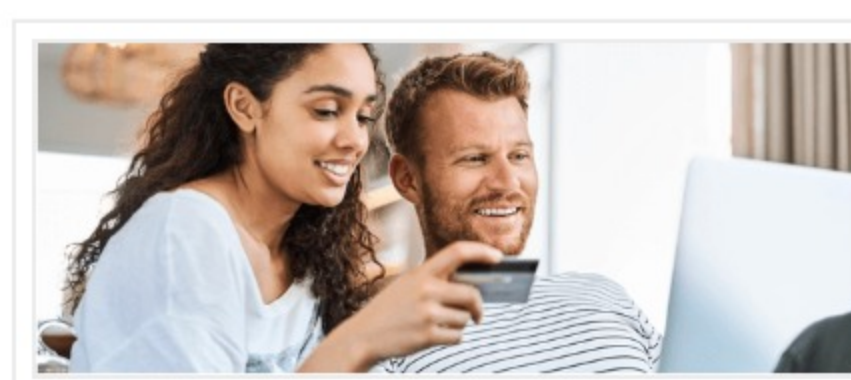


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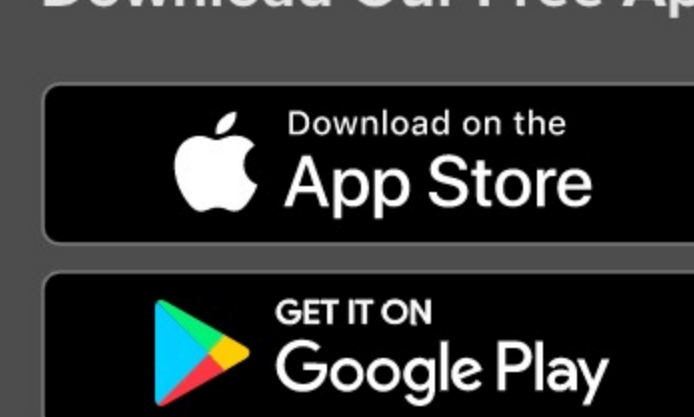
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