

What Is Credit Card Churning?

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Credit cards are an amazing tool that can have disastrous consequences if used incorrectly. Many people use credit cards to make purchases they wish to pay off on a later date. However, there is a secondary use for these credit cards and if you're strategic, you can reap the rewards, literally. This strategy is called credit card churning. Back in the old days when I used to work for a bank, I'd see this quite often. However, not many people know about this strategy. Furthermore, many of those who do know about it tend to stay away from it because it can be sort of difficult to pull off successfully. So, let's get into what credit card churning is and how you can be successful at it!

1. What Is Credit Card Churning?

This may be a new term for a lot of people but we will go ahead and attempt to dissect the term. Most of us know how credit cards work and many people acquire them for their benefits. Well, credit card churning is the act of opening a credit card and repeatedly

acquiring the sign-up bonus! This is done with one or multiple credit cards. However, the more cards you open and are intending to churn, the harder it may be. Now then, let's talk about how you can credit card churn.

First, what you are going to do is search for a credit card from any bank. I would advise a bank you're already with. If you don't want to go to your bank for a credit card, I'd suggest researching various other blogs who specialize in specific cards. A few blogs I'd suggest are [CreditCardGenius](#) and [PointShopper](#). That way, you can copious amounts of information and make an informed decision.

Once you've chosen a card to churn, make a call and see if you're able to open up the [credit card](#)! Once the card is open you can fulfill the conditions which would allow you to acquire a sign-up bonus. This is when you cancel the card, reopen another one or toss it to the side for safe keeping. These sign-up bonuses can vary. Some credit cards offer travel rewards and others offer actual money back into your account.

Not every card is the same. Some sign-up bonuses are better than others. Furthermore, many have a spending threshold you must reach within a certain amount of time. For example, when I worked at one of the major banks here in Canada, their flagship [credit card](#) had a promotion (example below). Activate a new credit card and receive 15,000 rewards points which were equal to \$350 in travel (one round trip ticket to anywhere in the states according to them).

The only condition for acquiring these points was that the card needed to be open for 3 months. Theoretically, you could receive the card, acquire the points and use them without spending a dime. However, there was a slight catch. The bank would charge the annual fee a month after you've activated your card.

Get 15,000 Welcome Points & The 1st Year Annual Fee Waived Upon Approval[†] Plus earn 5,000 extra RBC Rewards Points with a Minimum Spend[†]

There was a workaround for this. The card's annual fee was \$120. You would be able to activate the card, wait 3 months, receive the points, use the points, then change the card to a \$0 annual fee card. If you did the bank would refund you a portion that you paid towards your annual fee. This is possible because they only charge for the months the card was used.

On the other hand, there are cards that require you to spend a certain amount of money. This is where your financial literacy is put to the test. These amounts can range from hundreds to thousands of dollars and usually include a time limit (spend \$3000 in the first 3 months). However, we will tell you how to do this successfully so that you don't fall into

large amounts of debt! If you would like to watch a video on the matter, here is one by Youtuber Graham Stephan!



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2. How To Be A Successful Churner

There are many ways to be successful at credit card churning. Likewise, there are many ways to fail as well. There are many steps you'll need to follow in order to be successful and we will cover them here. First, as previously stated, research the credit card that you're going to get.

There are many credit cards with different interest rates and rewards. If you've chosen a card that requires a monthly spending limit, only spend the money you were already planning on spending. This means that if your card requires you to spend \$3000 in 3 months, don't buy unnecessary items just to reach this threshold. The point of churning is to acquire bonuses for the money you naturally spend.

Second, make sure you're spending money you already have. We don't want you to rack up a ton of debt and not being able to pay it off. Therefore, pay off your full balance by the due date so that way you're not charged interest. The more interest you pay, the less valuable

that sign-up bonus will be! It may seem difficult at the beginning but one way to reach this goal is to put your pre-authorized payments on it such as a cell phone bill.

If you have multiple cards open, one can be used for pre-authorized payments and the other can be used for everyday spending. Using this strategy with two cards (depending on your spending) can effectively get you two sign-up bonuses concurrently! Remember, as you're spending, the everyday spending points will be racking up. Therefore, you could essentially double your points/cashback by the time you get your sign-up bonus!

Really that's all there is to it! It doesn't take much to be successful at credit card churning. All you need to do is study, don't spend more than you usually would, pay off your credit cards in full and avoid the common pitfalls!

One Last Thing

I already mentioned some of the pitfalls of credit card churning. However, there was one I left out and it is one I've seen people overlook one too many times. You're credit rating and how credit card churning can affect it.

Something to be wary of is any time you open up a new card, you will most likely have to go through a credit application. These applications will ask you for various types of information and often require a credit check. Unless you're going with your current bank, these can be hard hits. However, the positive to all of this is if you manage your balances accordingly, you'll gain back those points in no time. However, if you're looking to get a mortgage in the near future, I'd suggest keeping the churning to a minimum.

That's all I have to say about credit card churning on this fine day! So, remember to be responsible and do your research so you can maximize those rewards. Happy churning!