

# Your Guide To No Annual Fee Credit Cards

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# INTRODUCTION

How many types of businesses charge you a fee for the simple “pleasure” of being their customer? Would you even want to do business with one of those companies?

**Chances are good that you already are. It’s common practice in the financial industry, from monthly bank account maintenance fees to credit card annual fees.**

In this guide we’re going to look at the latter. We’ll help you understand annual fees and how you can avoid them by applying for a [no annual fee credit card](#). We hope you’ll join us as we explore no annual fee credit cards, why those offers exist, where you can find them, and what you can expect from them.

# NO ANNUAL FEE CREDIT CARD BASICS

Many credit cards charge an annual fee to their customers. This is basically a fee you pay for the convenience of having (and being able to use) that credit card.

Some consumers feel the fees are worthwhile as long as they earn more in perks and rewards than they pay in fees. Others don't feel it's right to pay these fees regardless of other perks offered to customers. For that second group, fortunately we have no annual fee credit cards. Let's take a look at some basic information you should know about [no annual fee credit cards](#) before you consider applying for one.

## The Two Types of No Annual Fee Credit Cards

There are two basic structures you'll come across when it comes to no annual fee credit card offers. They include cards that feature:

- **No Annual Fee Introductory Offers** - These no annual fee credit cards waive your annual fee for your first year as a cardholder.
- **No Annual Fee Ever** - These credit cards never charge an annual fee.

Now that you know what no annual fee credit cards are, let's look at how they came about in the credit card industry.

## Why No Annual Fee Credit Cards Exist

No annual fee credit cards exist for one reason -- to entice consumers to sign up. The no annual fee scheme is a marketing strategy to make some cards look more attractive than others.

Think about it. If you were comparing two credit card offers and one charged you a fee whether you used the card or not while the other didn't, which would you choose? All else equal, you would pick the no annual fee option.

The first card in Australia to use this no annual fee marketing strategy was the [Virgin](#) credit card which was offered from 2003 to 2008. The company released a new branded no annual fee card in 2010.

To help you decide whether or not annual fees are worthwhile in your own case, let's move on and explore the fees you might pay if you don't get a no annual fee credit card (and what you get for paying them).

# ABOUT ANNUAL FEES

The great thing about no annual fee credit cards is that they eliminate yearly fees for cardholders. But they can also cut back on other benefits you might appreciate.

To get a better feel for what you're saving (or sacrificing) by applying for a no annual fee credit card, we have to take a closer look at annual fees in general. Let's start by looking at some of the things annual fees supposedly give you in return. You can decide if they're worth it.

## What do You Get For Paying an Annual Fee?

Here are some of the benefits commonly attributed to credit cards with annual fees. In other words, here's what you might get for those payments.

### "Free" Insurance

Many credit cards offer various insurance policies as perks for cardholders. For example, you might get:

- Free international travel insurance
- Purchase cover
- Extended warranties
- Price protection

Whether or not these insurance policies are worthwhile depends on how you like to use your credit card. For example, if you're a frequent traveller and you use your credit card to book flights, reserve hotel rooms, and pay other travel expenses, free travel insurance could be a good fit for you.

## Rewards Programmes

It's common for [rewards cards](#) and [frequent flyer credit cards](#) to feature annual fees. The idea is that you can save more than you pay in fees if you spend enough money, build up your rewards points, and redeem them for things you would otherwise have to pay for directly.

Rewards programmes can include anything from airline loyalty programmes to cash back cards or even fuel credit cards. In that last case you earn savings on your purchases. If you would save more than you're charged in fees, it's an obvious choice.

## Concierge Services

If you frequently travel or entertain, you might consider paying an annual fee to get 24/7 concierge services. The credit card company's concierge can help you book hotel rooms, get show or event tickets, or even recommend and book a reservation with a restaurant when you're in an unfamiliar city. It can be much cheaper than having an assistant on-call.

You might be wondering how much of your annual fee actually goes towards paying for these perks and rewards. Unfortunately there is no easy answer to that question. That's because it depends on you as an individual consumer. There's no general correlation between annual fees and the perks and rewards you actually receive -- only what's offered. Annual fees are just one small part of a credit card issuer's profits, and they've been known to go up even as rewards go down, at least in part to make up for revenue lost in other ways.

## Use it or lose it

The biggest thing to keep in mind about these credit card perks and rewards is that they're only worth the annual fee if you actually use them. And that isn't always the case. Some consumers don't realise they have free insurance, concierge services, or other perks available to them. And some either forget to redeem their rewards points (which usually expire) or they choose not to.

In fact, Citibank released a [report](#) in September 2010 noting that 19% of its rewards cardholders "say they don't like to redeem items, preferring instead to see their points build up and up." They might enjoy it. But they aren't getting their money's worth.

When you pay an annual fee and you never use the perks or rewards that fee is supposed to provide, then the credit card company still keeps that money. It just becomes added profits.

If you think these things are worth paying an annual fee for, by all means choose a card that offers the kinds of perks and rewards you're looking for. Just make sure you have the potential to get back more than you pay. Otherwise you might be better off with a no annual fee card, and simply paying for those "perks" independently.

# NO ANNUAL FEE CREDIT CARD FEATURES

Other than the lack of an annual fee, is there anything else that makes no annual fee credit card offers stand out from the competition? What should you expect from one of these cards in the long term?

**Let's take a look at some common features of no annual fee credit cards, and what you shouldn't expect to get from these offers.**

## Common Features of No Annual Fee Credit Cards

Other than not charging you an annual fee for the first year or more, here are two other common elements of no annual fee credit card offers:

- **High Regular Purchase APRs** - It isn't uncommon to find regular purchase rates near (or even exceeding) 20% with noannual fee credit cards. However, some of these cards feature very low introductory purchase rates for your first few months as a cardholder.
- **Mildly Competitive Balance Transfer Offers** - Many no annual fee credit cards feature introductory balance transfer rates which let you save money if you move an existing balance away from a higher interest card. However, these cards aren't usually your best option for balance transfers. While they offer reasonable rates (frequently in the 2-5% APR range), you can get lower rates with other [balance transfer credit cards](#). That said, there are some exceptions which offer 0% on balance transfers for a few months. And there are also exceptions with no balance transfer deals at all.

## What You Shouldn't Expect From a No Annual Fee Credit Card

Now that you know what you might find in a no annual fee credit card offer, let's look at the flip side of that issue -- what you shouldn't expect.

- **Deep Savings on Interest** - One way or another, credit card companies are out to earn a profit. If they aren't getting money through an annual fee, they're hoping to do so through interest charges. It's up to you to weigh the benefits. Would you save more by cutting out the annual fee, or would you save more with a [low interest credit card](#)?
- **Heavy Perks and Rewards** - While it's true that you can sometimes find a rewards credit card or elite card (like a platinum credit card) with no annual fee, in most cases these cards are no frill, or low frill, options.

One other issue that's worth mentioning is interest free days. Most credit cards offer them if you pay your bill in full every month. But don't take those interest free days for granted. While some no annual fee credit cards do offer them, others don't. Review the terms carefully before applying to make sure a lack of interest free days won't cost you more in interest than you're saving by avoiding the annual fee.

# IS A NO ANNUAL FEE CREDIT CARD RIGHT FOR YOU?

Now that you have a better idea of what to expect from no annual fee credit cards, do you feel like they're right for you?

To help you decide, let's explore some common qualities of cardholders who use no annual fee credit cards along with some tips on qualifying for one of these offers.

## Qualities of a No Annual Fee Credit Card User

Here are three types of cardholders that might benefit from a no annual fee credit card:

- 1. Students** - Students often don't have full-time employment. With less cash available, they may not be able to afford annual fees. They could save the most by combining a no annual fee card with interest free days.
- 2. Low Income / Low Spending Cardholders** - If you don't use your card frequently or for large purchases, you won't earn many rewards points anyway. So it might be difficult to earn back more than what you might pay in an annual fee.
- 3. Multiple Card Cardholders** - [No annual fee credit cards](#) can also serve as great backup credit cards for consumers with multiple cards. After all, paying an annual fee on several cards at once can get expensive. In this case, you might have a rewards card with an annual fee for the bulk of your purchases. And you might also get a no annual fee credit card to use for emergency spending or charges you don't want to put on your primary credit card.

## Qualifying for a No Annual Fee Credit Card

In order to qualify for a no annual fee credit card, you'll need to follow the same basic guidelines that you would with any other type of credit card. For example:

- Research the card's minimum income requirement and make sure you meet it before you apply.
- Check your credit file before applying for a no annual fee credit card. Fix any errors you find before proceeding with an application.
- Make sure your overall credit history is in good shape. If you have any delinquent accounts, get them caught up. If you can afford to pay off an existing debt before applying for your new credit card, do so.

Overall your goal is to appear as creditworthy as possible. If you don't meet all of the requirements for one no annual fee credit card, don't assume you're out of luck. Keep comparing new offers as they come on the market. You're bound to find one that's right for you.

# WHEN TO CONSIDER OTHER CREDIT CARD OPTIONS

As great as no annual fee credit cards can be, they aren't the right option for everyone. And here at Credit World, we want to make sure you find the best card for you, whether that's a no annual fee credit card or not.

To help you do that, let's take a look at some consumer groups that might not benefit from a no annual fee card, and some alternative options if you happen to fall into one of these groups.

## Who Might Not be Best Served by a No Annual Fee Credit Card?

Here are four types of consumers who might be better off without a no annual fee credit card:

- 1. Balance Transfer Savers** - While many no annual fee credit cards also feature balance transfer introductory rates, they don't tend to be the most competitive [balance transfer](#) deals.
- 2. Avid Rewards Seekers** - If one of your big goals is to maximise rewards points or [frequent flyer points](#), you might want to consider a [rewards card](#) with an annual fee. Not only will you find more options available, but you may be eligible for higher levels of rewards (such as uncapped points).
- 3. Big Spenders** - If you charge a great deal to your credit cards, a no annual fee card might not be the best option for you. It's very possible you can save the most by going with an elite card that either offers rewards or significant perks. For example, if you travel a lot you might save more with an elite frequent flyer card between free flights and free travel insurance than you would by eliminating an annual fee.
- 4. Financers** - It was mentioned previously that no annual fee credit cards frequently have high regular purchase APRs. That means anyone using one of these cards to finance purchases over time will be subject to these rates. It's not worth paying high interest rates on purchases just to save on a fee.

## Alternatives to No Annual Fee Credit Cards

If you fall into these groups, you might want to consider the following credit card options instead:

- 1. Balance Transfer Credit Cards** - To save money by moving your existing high interest balances
- 2. Elite Rewards Cards** - For the most favourable rewards programmes and added perks for big spenders and other rewards-seekers
- 3. Low Interest Credit Cards** - To save money on interest charges if you plan to finance new purchases beyond a single billing cycle

Hopefully you have a better idea of whether or not no annual fee credit cards are the right financial tool for you now. If you decide that they are, keep reading to learn how you can find the best cards currently available. If you decide a no annual fee card is not the right kind of credit card for you, visit us at [creditworld.com.au](http://creditworld.com.au) to research other types of credit cards.

# WHERE TO FIND NO ANNUAL FEE CREDIT CARDS

Your next step is to look for available no annual fee credit card offers.

You can do that in a number of ways. For example, you could contact your existing bank to ask them about their available cards. You could visit issuers' websites individually. Or you can use a credit card comparison website (like [creditworld.com.au](http://creditworld.com.au)) to help you compare offers from several issuers in one place.

No matter how you choose to compare credit card offers, you can start by narrowing down the issuing banks that actually offer no annual fee credit cards. We've listed some of the current providers for you below to help you begin your search.

## No Annual Fee Credit Card Providers

Here is a list of credit card issuers who had no annual fee credit card offers on the market at the time of writing. This list also lets you know what type of annual fee credit card(s) they have available -- either no annual fees ever or no annual fees for your first year.

- **American Express**\* - Their Qantas Discovery card doesn't charge any annual fee.
- **Bankmecu**\* - This bank offers a no annual fee credit card for the life of your account.
- **Bankwest**\* - Their Zero Platinum card also charges no annual fees ever.
- **HSBC**\* - The HSBC credit card is yet another great option with no annual fees as long as you're a cardholder.
- **Virgin**\* - Virgin was the first brand to have its name on a no annual fee card in Australia, and they still offer one. Pay no annual fee ever, even for additional cards.
- **Westpac**\* - Their 55 Day Classic card and 55 Day Platinum card waive your annual fees for the first year.

**\* Disclaimer:** This annual fee information was accurate as of the time of writing. Credit card companies reserve the right to update their offers. Please visit the links above to verify current no annual fee offers.

When you're shopping around for credit card offers, don't limit yourself to only these issuers. Remember that credit card offers change periodically and offers come and go. Spend time reviewing current offers carefully before filling out a credit card application -- whether it's for a no annual fee card or any other kind of credit card.

# COMPARE NO ANNUAL FEE CREDIT CARDS TODAY

We make your credit card comparisons fast and easy.

**The next time you want to compare no annual fee credit cards (or any other type of credit cards), let [creditworld.com.au](http://creditworld.com.au) help you:**

- Access the latest credit card offers from major issuers all in one place.
- Save time by comparing offers side by side.
- Save money by making sure all of the best deals are at your fingertips.

Are you ready to look for a no annual fee credit card? Start your search today with [creditworld.com.au](http://creditworld.com.au)!