

# New Side Hustle - Credit Card Hacking - Free Money

## Interest Rate Arbitrage

Back in the day when interest paid in online savings accounts was much higher than ZERO percent, I thought I was a credit card hacker. I remember a time when I was able to earn 5.5% through my HSBC online savings account. I was in college at the time and was receiving plenty of credit card offers with an introductory 0% for 12-15 months.

One day it clicked that I could act like a bank and borrow at one rate and lend it at a higher rate. This was a true arbitrage opportunity.

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*ar·bi·trage*. **definition:** noun. **1.** the simultaneous buying and selling of securities, currency, or commodities in different markets or in derivative forms in order to take advantage of differing prices for the same asset.

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I didn't have a lot of money in those days, but I did have a good amount of financial aid that I used to pay for housing and tuition. So I devised a plan to pay for everything I could on the credit card (without incurring extra charges) and transferred the cash to my online savings account. At the time I was able to pre-pay my dorm and tuition cost for the year which just about maxed out my available credit in the amount of \$8,500. Not sure what the bank was thinking giving a college student an \$8,500 credit limit, but let's just say I wasn't complaining.

If you do the math I was able to pull in about \$38/month totally passively. I know it's not that much money, but in college that was almost enough for two \$20 "all you can eat" sushi nights in downtown Fullerton(which I frequented weekly).

The exact dates are bit fuzzy. But I think I initiated this strategy sometime in late 2006 or early 2007, before the financial world started to implode. It was good while it lasted.

## **1st “intentional” venture back into hacking credit card rewards programs**

After the financial world blew up and rates went to zero, this was no longer a viable strategy. So I hung up my hat.

That was until October of 2013 when I learned of a new way people were finding ways to extract free money from the credit card offerings. The first card I signed up for was a United Airlines Rewards Visa that waived the first year’s annual fee, gave 30,000 bonus points, and a \$50 statement credit. At the time I was booking a flight to Northern California for my wife and was more than happy to save \$50 by signing up for the card.

However, the bonus points ended up being a bust. We really don’t fly that often and actually didn’t have any other upcoming trips to use the rewards points for. This meant that the 2 complimentary lounge passes would go unused as well. So I cashed all the points in for a bunch of magazine subscriptions (Forbes, Time, Fortune, Fast Company, Money), the Wall Street Journal, the LA Times, and a Keurig. Okay, so maybe it wasn’t a total bust, but I had visions of traveling somewhere exotic for FREE. The problem was we had no real plans of going anywhere.

## **2nd accidental credit card hack**

It’s no secret that we love dining out. Somewhere over the years I happen to get a Disney credit card. This was the same card that I had applied for and received 15 months of 0% APR during my days of interest rate arbitrage I described above. A time came when the 0% interest rate was coming to an end and I paid off the card in full, with the money I had stashed away in the online savings account with HSBC.

(As a side note, does anyone remember the online only savings accounts? You had to link it to a checking account and you would have to wait like 3-days to get your money. It reminds me of a funny clip from comedian Kevin Heart, let’s take a minute to have a few laughs before we continue)

<https://www.youtube.com/watch?v=yhM1dGyUca4>

## **That was fun!**

Let's get back to the story now. So I paid off this Disney credit card in full and continued using it for years (paying the balance in full every month). Then sometime in 2012 I realized I had built up a huge balance of rewards points on my Disney credit card (the card I was actually embarrassed to pull out in front of friends, because they always gave me crap about it). At first I was disappointed because I thought you could only use them at Disneyland. That was until someone had mentioned the Napa Rose restaurant that was at the Grand California Hotel. It's a 4-star dining experience and one of those places that cost at least \$200 for two at dinner.

Ah, but fear not, they accepted my points as payment. This was great news, especially since I had racked up about \$1,800 in Disney dollars that I could now spend at this amazing restaurant. Lucky for me, my wife's birthday was right around the corner. I made reservations and didn't hold anything back when it came to ordering. The bill that night after tip (also left using reward points) was \$350.

It was our first experience of what it would be like if money were no object for us. We milked that card and those reward points for about 10 different visits. We were not nearly as gluttonous as we were during our first dining experience there.

## **3rd credit card hack**

After the United Airlines card was set to renew, I cancelled that card to avoid the \$95 annual fee that was waived the first year and signed up for the Marriott rewards credit card. The offer on this card was 50,000 bonus points, a Free Night Voucher, and the first year's annual fee of \$85 waived. Oh, and we get a free night stay every year on the anniversary of the card opening (if we keep the card and pay the annual fee).

We decided to go with this card because we definitely stay in hotels more often than we fly. We have had the card for less than a year, and it has already saved us about \$900. Let me share how we have used the points so far:

1. We had family visit us last summer and they wanted to visit Disneyland. Not relevant to the credit card, but we have friends and family that work at

Disneyland so we actually were able to get into the park for free. We knew it would be a late night and so I used some of our bonus points to book a room at one of the Marriott owned hotels across the street from Disneyland. They were going for \$150/night, but we got it for FREE with the points.

2. We were hanging out with some friends in Huntington Beach and knew it would be a late night and that driving home would be a drag. So we booked a hotel room, this time using our voucher that was good for a category 4 hotel (which also had FREE breakfast, SCORE). This room was going for \$120/night.
3. We have a wedding coming up in August where I happen to be a part of the wedding party, so we will need to stay in town for a couple days for different festivities including the wedding itself. So we found an actual Marriott that was 5 miles from all the action and booked 3 nights. The room was going for about \$200/night (\$600). You know what our cost was? **ZERO!**

All in this card has saved us about \$900 for doing absolutely nothing different besides carrying around a different credit card to ensure we met the minimum to get the bonus points.

## 4th credit card hack

This brings us to my most recent and definitely intentional credit card hack. Vawt over at Early Retirement Ahead recently published a post about his [credit card hacking side hustle](#) and recommended the [Chase Sapphire Preferred card](#). He is really taking full advantage of the lucrative programs that are out there with 18 different credit cards he is managing. That is a little more than I am willing to manage at the moment, but it works for him.

However, his post has inspired me to be a bit more aggressive and intentional with my credit card hacking activities. **It's FREE money for crying out loud!**

With this card the deal is 40,000 bonus points, first year fee of \$95 waived, a 5,000 point bonus for adding an authorized user, and best of all it comes with 2X points for dining and restaurants. This card was designed with me in mind, when you consider how much we like to dine out.

If you convert the bonus points to cash you are looking at [\\$450 in FREE cash](#) (use this link to sign up to get your free cash, it's \$500 now). When converted to cash they are worth 1 cent each. If you use them for travel then they are worth 1.25 cents each or about \$563.

Doing some back of the napkin math, we spend about \$500/month on dining out right now which with 2X points should rack up an additional 12,000 points alone over the next 12 months (\$6,000 of spending at 2X points). On average we charge an additional \$3,000/month onto our credit cards each month, which would result in another 36,000 points.

So if we use this card right we are looking at the following points for the year:

- **40,000** initial bonus for applying for the card
- **5,000** bonus for adding an authorized user
- **12,000** points earned from our dining out budget
- **36,000** points earned from regular spending

**Total = 93,000 = \$930 in FREE Cash**

We can get a little better value if we use it for travel. But nonetheless, if we go the cash route that is not bad at all.

## **Now It's a New Side Hustle**

I had never really thought about this as a side hustle, mostly because it is rather passive beyond signing up for the new credit card (that is kind of ideal, no?). Now the only thing to manage is to cancel the card before the annual fee is due. But even if you forget you can always call and have the credit card company cancel the card and refund you the annual fee after the fact. That happened to me with the United card.

At this point we will probably only mess with one and maybe two cards at a time. But this is something I will now consider as a pretty effortless side hustle. I say maybe two cards, because with the Sapphire Preferred Card you can transfer the points very liberally. I think it may make sense to have my wife sign up for the same card to get the 45,000 bonus, and then transfer the points to one card and continue using the card as planned.

This strategy would actually increase the cash value from **\$930** to **\$1,380**. Add that to the 3 nights free I booked for the wedding in August and we are looking at **\$1,980** of **FREE MONEY!!!**

**[UPDATE: As this post goes live (this was written back in early May 2015), we have**

already earned the first 45,000 points and will be signing up for the next card in my wife's name in the next week.】

This is all from regular spending.

If you think this sounds awesome, then you should check out the pros recommended by our friend [Vawt](#) mentioned above:

- [The Points Guy](#)
- [Richmond Savers](#)
- [Million Mile Secrets](#)

I have read some amazing stories about credit card hackers leveraging these programs, taking trips for pennies on the dollar. Do you take advantage of credit card reward programs? Any recommendations?

- Gen Y Finance Guy



## Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able

to learn from me - both from my successes and my failures! [Read More](#)