

SWINDLE-PROOF TRAVEL

What Your Bank Won't Tell You About Currency Conversion

Traveling abroad isn't cheap to begin with, so it's doubly painful when converting currency starts to add up—if you're not careful, you could lose up to 22¢ for every dollar. Here's what you need to know to protect your purse.

By Melinda Page, 2010-11-05 11:37:00



(Illustration by Mark Matcho)

When it comes to navigating exchange rates, it pays to know all your options. From buying money online to grabbing it on the go at the airport, we've assembled a handy guide to the seven most common methods for foreign exchange. Each has its pros and cons (some of which can feel like legal swindling), so we've evaluated the options for you with the euro as our base tender, using an Exchange Rate Rip-off Meter from 1 to 5. After all, we can think of far more fun ways for you to spend your money.

Exchange Rate Rip-off Meter

- 1 Go for it!
- 2 Watch closely for fees.
- 3 Depends on your situation.
- 4 Avoid if possible.
- 5 Run away! Far, far away!

Swipe a Credit Card

Exchange Rate Rip-off Meter 1

How it works You can use your credit card just as you would at home; card issuers typically tack on currency-conversion fees of 2 to 3 percent for international transactions, you'll get the

best exchange rate and fees that are lower than those associated with exchanging cash. If you want to get the best rate, sign up for a [Capital One](#) card, which levies no fees for international transactions. **\$100 buys €74.24.*

Best for The majority of your big purchases, hotel bills, and restaurant tabs. Basically, it's convenient enough to use instead of cash wherever possible.

Exception! Don't use it to take money out of an ATM—ever. You'll be hit with hefty fees (up to \$20 in transaction fees or 4 percent of the amount of the advance, along with any local ATM fees), plus you'll be charged interest starting on the day you withdraw the money.

Withdraw Cash With an ATM Card

Exchange Rate Rip-off Meter 1

How it works Depending on your bank, your American debit card can also be used in international ATMs to withdraw local currency. Most banks tack on fees that can add anywhere from 3 to 8 percent. But a few, like [Citi](#) and [Bank of America](#), have international branches or partners that allow you to use your ATM card fee-free in most cases. Bank of America is particularly attractive, thanks to a large number of global ATM alliance member banks—more than 20,000 locations in all. Check with your specific bank about its policies, and here's a tip: If you do have to pay international transaction fees, minimize them by withdrawing larger amounts less often. *\$100 buys €70.81.*

Best for All purchases, big or small.

Exception! If you use an ATM outside your bank's global membership, you run the risk of incurring outrageous fees.

Exchange Cash at Your Bank

Exchange Rate Rip-off Meter 2

How it works Most large banks sell foreign currency, and if you have a bank account, you can order cash over the phone or online; with a few days' notice, it can be delivered to your local branch for pickup. Watch out for delivery fees on this option—they can be as much as \$10, cutting into your take-home amount. Note: Some banks will waive this fee for their best customers (Citibank, for example, does so for its CitiGold members), so be sure to ask before ordering. One thing to keep in mind is that exchange rates for banks tend to be slightly better than exchange rates elsewhere, as banks receive wholesale rates that aren't available to the general public. *\$100 buys €71.81.*

Best for Those who want cash on hand before a trip.

Exception! If you have a premium bank account with a high balance, you'll get a better exchange rate, making this deal more attractive.

Buy Cash Online

Exchange Rate Rip-off Meter 3

How it works You can order currency in advance of your trip from websites like [oanda.com](#), and they'll ship it to your home using a secure two-day delivery service. *\$100 buys €64.*

Best for Having cash on hand for immediate purchases like cab fare or a bottle of water when you land; be warned that the high delivery fees eat into the bang you get for your U.S. bucks.

Exception! If you are looking to get large amounts of cash (say \$1,000 or more), delivery fees can sometimes be waived if you ask.

Buy Traveler's Checks

Exchange Rate Rip-off Meter 4

Exchange Rate Ripoff Meter 4

Exchange Rate Ripoff Meter

How it works Travelers' checks function just like U.S. dollars, except they can be replaced if

they're lost or stolen. Once you get to your destination, you still have to find a place that will exchange the checks for local currency, and you'll pay any associated fees, which can add up to \$9 per check. Bottom line: Not convenient. *\$100 buys €63.11.*

Best for Those who don't want to use credit or ATM cards or carry large amounts of cash. Also, if you're worried about theft and loss, this option comes with peace of mind—if, for example, your American Express traveler's checks are stolen, the funds can be replaced anywhere in the world and usually within 24 hours.

Exception! If you're going to China, traveler's checks are an excellent value. Fees are low, and the exchange rate is regulated by the Chinese government, making this one of the safest and most inexpensive ways to exchange U.S. dollars for yuan (especially in more rural locations, which are less likely to have ATMs).

Buy a Prepaid Foreign Currency Card

Exchange Rate Rip-off Meter 4

How it works Launched by foreign-exchange company [Travelex](#) in 2007, these cards can be used just like credit or ATM cards, but travelers preload them with a set amount of euros or British pounds (the only two currencies available for now). This seemingly nifty convenience comes at a cost—numerous fees (for withdrawals, inactivity, and to close the card) and restrictions (withdrawal minimums and limits per day). One plus: If the card is lost or stolen, Travelex will replace it; however, the company won't refund the money lost, and it will charge a fee for the replacement card. **\$100 buys €68.34.*

Best for Purchases big or small (it works as a debit or credit card would).

Exception! Though not very flexible, this option would work nicely for those on a set budget or for those who are sending kids off on a European vacation but don't want to hand over a wad of cash.

Foreign Exchange Desk (Airports, City Centers, Hotels)

Exchange Rate Rip-off Meter 5

How it works Most international airports have at least one foreign-exchange desk where you can swap U.S. dollars for the local currency. You hand over your dollars; the clerk deducts fees—sometimes up to 20 percent! You can also exchange American cash for local currency at your hotel; commissions and rates there will vary widely. Some currency-exchange desks located in city centers offer better rates than the ones at airports, but proceed with caution: Even those that advertise 0 percent commissions probably have hidden fees. *\$100 Buys €59.65.*

Best for At this rate? Save it for emergencies.

Exception! None—with all the other options available for exchanging currency, we say avoid this scenario.

**All calculations were done on the same day and are based on the interbank euro to dollar rate of 1.2994. Exact figures will vary depending on the situation.*