

# How to Get the Best Exchange Rate (and Avoid Fees)

By DAVID A. KELLY

## Correction Appended

IT is one thing to pay a higher than normal price for a drink on the Champs Élysées, but paying more than you need to exchange currency is a real waste of money. For most travelers, the place to start is with an A.T.M. or a bank, where you are most likely to get the best rate.

"We recommend that people use their debit or A.T.M. cards to withdraw money from an A.T.M. as soon as they arrive," said Tom Meyers, editor of [www.eurocheapo.com](http://www.eurocheapo.com), an Internet guide to inexpensive hotels. "The rates from European banks are almost always lower than going to commercial exchange counters."

For example, Thomas Cook on Fleet Street in [London](#) recently offered an exchange rate of 2.03 percent for U.S. dollars converted to British pounds with no service charge, yielding £49.26 for \$100. The same day, NatWest quoted a rate of 1.9551 percent with no commission, yielding £51.15 for \$100, while HSBC quoted a rate of 1.9766 percent with 2 percent commission, yielding £49.58 for \$100.

One thing to be aware of when withdrawing money from an A.T.M. is that it is difficult to know in advance what the specific exchange rate will be. In effect, you have to wait for the charge to go through or for the withdrawal to be debited. In addition, some A.T.M.'s may have fees charged by both the local bank and by your own bank or credit card company, although some [United States](#) banks, including Bank of America and Citibank, have relationships with foreign banks and will waive fees at A.T.M.'s belonging to those banks.

But, if you use your Citibank card to withdraw money from your checking account at a foreign Citibank A.T.M., there's still a foreign exchange fee of 1 percent of the transaction in dollars.

Even those fees are less than the fees you'd pay using an A.T.M. to withdraw money from your credit card credit line, since these transactions are cash advances and subject to more fees. For example, for a cash advance from a foreign A.T.M. with a Chase [Amazon.com](#) credit card, Chase charges a 3 percent cash advance fee (minimum \$10) on top of a 3 percent foreign currency transaction fee, along with 23.99 percent variable interest rate accrued daily. As for exchanging money at a hotel? Mr. Meyers said he tells people to avoid it: "You'll get the highest transaction fees and the worst exchange rates."

For purchasing goods or services, credit cards frequently offer the best rates, although it can be hard to determine what they are. "The process is not transparent," said Tim Jarrell, publisher of Fodors Travel Publications. "Most people don't know until they get their credit card bill how much they'll be charged for foreign purchases."

For example, while MasterCard and Visa charge a 1 percent fee for processing foreign purchases, banks may (and often do) charge an additional 1 or 2 percent. Save money by picking a credit card with the most favorable fees for international purchases. For example, American Express and Juniper Bank charge just 2 percent, and Capital One is especially traveler-friendly, with no additional surcharge, not even the 1 percent charged by MasterCard and Visa.

With hard currency exchanges, some on-the-fly research can be particularly valuable. "If you're changing a lot of money, check out rates at the currency exchange centers and the banks," said Colm Hanratty, editor of [hostelworld.com](http://hostelworld.com). "Ask them what their exchange rate is and how much their commissions are. It's a 60-second question that could save you \$5 to \$10 each time."

You typically want to do as few exchanges as possible. "Each exchange involves processing, servicing and/or administrative fees; some exchange locations even give breaks on larger transactions," said John Brancato, managing partner of V. Puente Currency Services, an operator of a Travelex Worldwide exchange service at Dallas-Fort Worth International Airport. According to Mr. Brancato, Travelex's currency exchange provides a lower service fee for larger transactions — for a \$100 exchange the service fee is 5.5 percent while it is generally about 1.5 percent for transactions over \$500. Some exchanges may even offer promotions such as a "buy back" program that allows consumers to sell their leftover currency back to the company at a favorable rate, in some cases waiving the service fees. For example, upon returning from a trip, for a \$7.50 fee, a customer can exchange up to the amount of the original purchase without a service fee, guaranteed at the same rate. The return transaction has to take place at the same location as the first.

Traveler's checks and the new prepaid traveler's check cards are another option. The American Express Travelers Cheque Card (\$14.95 issuance fee) is a reloadable, prepaid card that is not linked to your bank account and can be replaced if lost or stolen. The card requires an initial minimum deposit of \$300 and sets a maximum balance of \$2,750; the funds can be purchased in dollars, euros or pounds. A.T.M. withdrawals using the card are a relatively low \$2.50, excluding individual banks' fees. However, traveler's checks and plastic may not be the solution when traveling to remote locations.

WHEN traveling in [China](#), once you leave the large cities, you could have a very difficult if not impossible time exchanging traveler's checks for local currency. In some cases, if you have the wrong types of traveler's checks, merchants may think they're fake and not cash them," said Seth Hishmeh, co-founder of USAS Technologies, a multinational IT consulting firm, and a frequent traveler. "Additionally, when traveling in some countries

such as China, the credit card systems outside of major cities frequently do not accept Visa, Amex and other standard cards used in the U.S."

Make sure you check ahead to learn what bank cards or traveler's checks will be accepted at your destination, and have a backup plan. "The main thing is to realize that different things work better in different places," said Edward Hasbrouck, author of "The Practical Nomad: How to Travel Around the World."

"That's why you should take money in a mix of forms — an A.T.M. card, a credit card, some traveler's checks, some large-denomination bills like \$100 for changing, some small-denominations (U.S. \$1 through U.S. \$20 bills for small purchases directly in dollars), rather than counting on any one method to work everywhere," he said.

Of course, cash is still king in many places. "You may be able to get discounts by paying in local currency," Mr. Hishmeh said. "For example, when traveling in [India](#) you can often save money by paying in their local currency and getting the local rate; paying in U.S. dollars or traveler's checks will cause you to pay much more."

**Correction: July 9, 2006**

*The Practical Traveler column on June 25 about getting the best currency exchange rates abroad misstated three examples of exchange rates for converting United States dollars to British pounds. Thomas Cook recently offered an exchange rate of \$2.03 converted to £1, not 2.03 percent; Natwest quoted a rate of \$1.9551 to £1, not 1.9551 percent; and HSBC quoted a rate of \$1.9766, not 1.9766 percent.*

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