

Money

Excerpted and adapted from StudyAbroad.com Study Abroad Handbook, written by William W. Hoffa

CURRENCY EXCHANGE

To live in a foreign country, you will have to learn to use a new currency, which you can purchase with US dollars, travelers checks, and the like. Exchange rates can fluctuate daily. To find out current rates, contact <http://www.travlang.com/money>. It is not recommended that you carry large amounts of cash with you. Traveler's checks are the safest and most convenient way for carrying your money. **Lost or stolen cash cannot be replaced; traveler's checks can be refunded.** Be sure to keep a separate record of the serial numbers of your traveler's checks. It is best to have three copies of these. Should the checks be lost or stolen, you will need to have these numbers available in order to obtain a refund.

Traveler's checks are available in various denominations of various currencies (e.g. American dollars, British pounds, French francs, etc.) and can be obtained at most banks. The major companies dealing in traveler's checks are American Express, Thomas Cook, Bank of America, and Visa. There is a 1% or more commission charge for traveler's check purchases. Buying traveler's checks in small denominations means carrying a bulkier package of checks with you, but it also means that you have greater control over the amount of currency you receive each time you cash one or more of these checks.

American currency can be exchanged for foreign currency at most international airports prior to your departure; at the international airport after you arrive; and at most major banks and railroad stations abroad. It is often helpful to have some local cash on-hand before you leave the airport, for buses, taxis, a cup of coffee or a snack. The exchange rates and service fees at US airports may be less favorable than at the international airport of your arrival. However, exchanging money prior to your departure allows you to avoid having to seek out an airport exchange kiosk after your international flight when you need to navigate through customs, collect your baggage, adjust to a new climate, etc. Try to avoid having to exchange currency at hotels, restaurants, or retail shops, as the exchange rate will generally be outrageous.

Banks abroad afford you the fairest exchange rate available. You can expect to pay a commission (which varies from one country to another and may also vary from one bank to another) every time you exchange currency. In some countries the commission is based on a percentage of the amount you exchange, while in others there is a flat fee regardless of the amount of the transaction. The flat fee rate makes it to your advantage to exchange larger amounts to avoid repeat visits to the bank window, although this necessarily means that you might be carrying more cash than advisable. You need to find a happy medium between carrying large amounts of cash and paying repeat bank commissions for exchange transactions.

Note: You may be required to show your passport each time you exchange money.

BANKING

Domestic ATM cards with a CIRRUS® designation can often be used to obtain foreign currency from foreign ATM units at exchange banks in developed countries. While you may be charged a fee by your US bank for using a foreign ATM, this fee may potentially be substantially lower than the commission rate or fee assessed for changing money in a local bank [see above]. Additionally, you may also be able to get a slightly better exchange rate in this manner because your domestic bank may calculate the exchange based on international banking overnight lending rates, which are more favorable than those offered to the general public. Check with your local bank to see if ATM use is possible in the overseas location(s) to which you will be heading. Make sure that your PIN can be used overseas.

Most students wait until arrival in country to establish a bank account- your program orientation will usually tell you how to do this. This lets you become acquainted with the various banks, their services, different types of bank accounts, and where to find branch offices closest to where you will be during banking hours. Many banks have their own bank cards, allowing you to make withdrawals from their ATMs.

While there are advantages to having your own foreign bank account, it is also possible to use Visa or MasterCard at many foreign banks, to get cash in the local currency, drawing on money you or your parents have deposited. You should note, however, that your credit card company may charge you interest on each withdrawal at the cash advance rate (different from your basic interest rate). If you have a credit card or bank card that is on e.g., the CIRRUS® network, you should be able to withdraw money from most bank machines in Europe, and increasingly in other regions. Find this out before you depart.

TRANSFERRING MONEY FROM HOME

If you run short of cash while abroad, money can be sent from home in a variety of ways:

- The quickest way, although the most expensive, is by cable transfer from your American bank to a bank abroad. It is wisest to investigate this before you leave. Your hometown bank may have to process cable transfers through an internationally recognized American bank, which will in turn have to deal with a comparable internationally recognized bank overseas.
- American Express money orders are relatively fast. Transactions must be initiated at an American Express office in the United States and completed at one of their branch offices abroad, either of which could prove inconvenient, depending on their location. American Express can cable money to one of their overseas offices, where it can be picked up, with appropriate identification. Since not all American Express offices can prepare money orders or cable money, it is wise to find this out in advance.
- It is also possible to obtain from an American bank a foreign currency draft drawn against a recognized bank in the foreign country (e.g. a check in Spanish pesetas drawn against the Banco Hispano-Americano in Madrid for a student in Salamanca). This draft can then be sent to you (by registered or certified mail) for cashing abroad.
- Should you prefer receiving a bank draft in American currency, a cashier's check drawn against a major American Bank (e.g. Chase Manhattan) can probably be obtained from your hometown bank and forwarded to you abroad (use registered or certified mail). However this may prove to be a relatively slow way of obtaining the money you need, since you still have to wait for the foreign bank to confirm the check's validity.

Needless to say, personal checks drawn against your local hometown bank will be virtually worthless because of the long amount of time it takes each bank to clear the check.

CREDIT CARDS

Credit cards make foreign currency transactions easy and are invaluable in a financial emergency. Take a credit card along, if you can, but **USE IT WISELY**; overspending is so easy to do and fees and interest charges can be costly. Also, the loss or theft of a card abroad can be a huge inconvenience when you are traveling.

Possession of an American Express card, Visa card, or MasterCard will be helpful should you need to acquire emergency funds while awaiting money from home. If you are an American Express customer, you can go to an American Express office and cash a personal check for up to \$1000 (only the first \$50 will be provided in cash, the balance in traveler's checks). With a Visa card you can usually obtain a cash advance against your account from a large foreign bank. The bank will take your passport number and your credit card number and phone them both into a central computer to prevent you from exceeding the established limit.

Credit cards can also come in handy when you wish to charge a purchase to your account rather than pay cash. However, not all merchants abroad accept credit cards, regardless of the name brand. Many of your gifts and/or souvenirs may be obtained at small shops and bazaars that do not provide charge services. The amount charged to your credit card bill is based on the exchange rate on the day that your bank or credit card company processes the transaction.

In the case of all financial transactions abroad, be sure to have adequate identification with you (e.g. your passport).

You should save all receipts from your credit card purchases abroad and scrutinize your credit card bills carefully. Theft of credit card numbers is as common overseas as it is here in the US. **Travelers who may be unfamiliar with the exchange rates and may not carefully monitor their expenditures make very good targets.** It may take several months before a foreign purchase appears on your credit card bill.

Note: Not all of the preceding counsel may be true in every country. Indeed, it is probably more accurate for the major western European countries, than for the rest of the world. But, banking is a worldwide phenomenon these days, so the above is more or less accurate for many locations.