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Avoiding currency conversion chaos

By [Cari Noga](#) • Bankrate.com

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While you're patting yourself on the back for seeking out the best deals possible for airfare and hotels on your upcoming trip to another country, there's one other money matter you may be forgetting that could hit you where it hurts: Currency conversion.

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Currency conversion

Whether you use a credit card, debit card, traveler's checks or cash, you'll be charged to convert your dollars to euros, pounds or pesos. But some options are clearly better deals than others.

Options

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Credit cards

Credit cards offer the best exchange rates due to the associations' bulk purchase capability.

"We're able to buy all types of global currency at wholesale rates,"

says Rhonda Bentz, vice president of Visa USA. Credit card users will pay a foreign transaction fee of between 2 percent and 4 percent on their purchases, Bentz says. That compares to fee of between 6 percent and 7 percent that a bank would charge to exchange your dollars in-country.

Remember, fees are on top of the rates, which may or may not be to your advantage. In England, for example, the pound is currently worth about twice the dollar, so you'll get a little more than 10 pounds for \$20, plus pay the fee. In Canada, you'll get about \$1.10 for your U.S. dollar, plus a fee. You can use [Bankrate's calculator](#) to compute any currency conversion.

Kathy McCabe, editor and publisher of the Washington D.C.-based subscription travel newsletter, [Dream of Italy](#), agrees credit cards are best.

"If you don't get socked by the bank's fees, you get charged a high currency-conversion rate or vice versa," says McCabe, who travels to Italy about three times a year. She added that travelers should also avoid changing money in airports, train stations or near tourist sites, where fees can be as much as 10 percent.

Finding out exactly what fee you'll pay on your credit card transaction can be tricky, however. On statements, it could be embedded in the purchase price. It could be buried in the fine print you received when you originally got the card. The terminology used can be complicated, too.

Visa and MasterCard charge a 1 percent international service assessment (ISA) to the banks that issue their cards. The issuers, in turn, can pass that ISA on to cardholders, plus tack on their own foreign transaction fees, usually another 1 percent or 2 percent.

Fritz Elmendorf, vice president of the Consumer Bankers Association, which represents major bank-issued cards including Bank of America, Citigroup and Chase, says that 3 percent is the norm -- 1 percent going back to Visa or MasterCard and the remaining 2 percent to the bank. Capital One's foreign transaction fee is the exception, Not only charging no transaction fee of its own, but eating the 1 percent earmarked for Visa and Mastercard.

"It obviously pays to check and be aware of that," he says "It's something you want to call your card company about."

American Express, which does not issue cards through banks, charges a 2 percent foreign transaction fee.

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