

What are the typical fees associated with money exchange?



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Key takeaways

- There are multiple fees associated with currency conversion, but some facilities charge significantly more than others.
- Planning ahead is the best way to save money by exchanging currency.
- Your local bank may be the best choice to exchange money.
- A credit card with no foreign transaction fees can be a good alternative to currency conversion.

Exchanging currency is a key aspect of traveling abroad. Using local currency is a foolproof way to ensure you can make a purchase, even in the remotest of areas. However, currency conversion may present confusion for some travelers, which can lead to expensive mistakes that throw off your [travel budget](#). Understanding where to check currency exchange rates and fees is the best way to avoid overspending on your currency conversion.

How currency conversion works

Converting currency requires exchanging one country's money for another. This allows people to get physical currency for the location they're traveling to. For example, American travelers to Spain must exchange U.S. dollars for the euro.

Currency valuations vary from country to country. Travelers must keep this in mind to avoid losing money on conversion. A [currency conversion calculator](#) can help you identify what to expect when exchanging currencies. Numerous factors impact currency conversion rates, most notably supply and demand, interest rates and political stability.

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Common money exchange fees

Exchanging money abroad or at home typically involves various fees. It's essential to plan ahead before traveling to mitigate costs. Although some fees may seem minimal, they add up quickly. This can reduce your spending power when traveling. Doing some simple research will allow your money to stretch further when abroad.

If you travel internationally, you know that fees may take a bite out of your money. Here are some [common fees](#) you may encounter when using a currency conversion service:

- **Commission fees:** It's not uncommon for a currency exchange business to impose a commission on your transaction. You may experience a fee of 1 to

3 percent on your transaction, charged either as a percentage or a flat amount.

- **Service fees:** Like other businesses, it's common to see currency exchange services add a charge for administrative needs. You may see this more often at less desirable places to swap currency, such as at airport kiosks.
- **Small transaction fees:** Some services may charge extra if you only exchange a small amount. Batching your exchange transactions together can help you avoid this unnecessary fee.
- **Conversion fees:** It's typically not a good idea to exchange one foreign currency for another foreign currency, as this will often expose you to two conversion charges.
- **Foreign transaction fees:** [Foreign transaction fees](#) come from a credit card while traveling abroad. The issuing bank levies a surcharge for purchases you make outside the U.S. Such fees vary by credit card, and some issuers don't charge them. You can typically expect a 1 to 3 percent foreign transaction fee on most cards.

How to save on fees when exchanging money

As with any financial transaction, due diligence is necessary to avoid overpaying. While convenience may seem like a good thing when converting currency, that convenience comes with a cost. Doing a little homework before using a money exchange service is the best way to save.

You'll typically have multiple choices for currency conversion. These are some of the top ways to save money when converting currency.

Plan ahead for international travel

Before traveling abroad, research your destination's [currency and exchange rate options](#). Banks commonly allow you to order currency before traveling. This helps you avoid poor exchange rates and high fees at airport kiosks or in tourist-heavy areas.

Don't overlook international ATM withdrawals, either. If your bank offers them with low fees, this can be a good choice to access local currency while traveling.

Depending on its size, your bank may offer additional benefits to save on international travel, including reduced fees for foreign transactions.

Pick the right place to exchange currency

Your choice of location for exchanging currency matters. If you're short on time, exchanging money at the airport or a kiosk at your destination may seem fine. Unfortunately, both are usually riddled with fees and feature lower exchange rates.

Instead, opt for your [bank or credit union](#), as you will typically enjoy lower fees and better conversion rates. Moreover, if you bank with a large enough institution, you may even be able to use an international ATM to withdraw local currency. Just make sure to inquire with your bank before you travel to avoid paying unexpected fees.

Choose the right credit card

Using a credit card can help you save on currency exchange fees, particularly if you're not traveling to a remote area. Choosing a [credit card with no foreign transaction fees](#) gives you more flexibility, especially when traveling to major urban areas.

Read the terms and conditions of your card before you go to avoid any surprises. Also, don't forget to let the issuing bank know you're traveling so it doesn't flag charges as fraudulent while you're abroad.

Avoid dynamic currency conversion

When traveling internationally, you may notice that some retailers allow you to charge your credit card in your home currency. This is known as dynamic currency conversion (DCC). This convenience comes with a steep cost, including an unfavorable exchange rate and extra fees.

[Visa](#), for example, requires merchants to clearly display associated rates and fees for this service. Don't fall for pressure from a retailer to opt for DCC. Instead, request to be charged in the local currency.

Use a prepaid travel card

Prepaid currency cards are ideal for travelers who don't want to deal with a credit card overseas or hassle with physically converting currency abroad. The type of payment card allows users to load and store multiple currencies simultaneously.

Prepaid currency cards help you avoid carrying extra cash and function like a debit card. They also typically come with lower foreign transaction fees. And, since you

load the money on the card, it can help keep spending in control. Do your due diligence before selecting a card to avoid needless fees.

The bottom line

Exchanging currency is a vital part of traveling abroad. You may encounter situations where you're unable to use a [credit card](#), so having local currency is necessary. Smart planning can help travelers save a significant amount of money without sacrificing convenience.

You may want to exchange currency at the airport or hotel, but that usually comes at a cost. Instead, check with your bank to see if you can fetch higher conversion rates with lower fees. The bank may even offer access to an inexpensive international ATM network. By following a few simple steps, you can save money and have fun while traveling abroad.

Frequently asked questions

Where is the best place to exchange currency?



Who determines the exchange rate?



How do I find a currency exchange near me?



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John Schmoll is a former stockbroker with 15 years of experience in finance and business writing. Schmoll is passionate about helping readers achieve their financial goals, whether that's paying down debt, learning to invest, maximizing credit card rewards, saving or earning more money.

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