

# Money and International Travel

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Deciding to go on a vacation is an exciting, and all too often stressful experience. Your fantasies of reading a good book while on the beach may be interrupted by intrusive financial concerns. How should you pay for your trip? How will you protect your finances while you are gone? Should you get travel insurance? What about scams or theft? There are numerous financial issues to take into account when planning a trip. Consider implementing some of the following strategies in order to protect your finances.

## Financial Considerations

Before leaving for your trip, be sure that you understand the exchange rate for the country to which you are traveling. Depending on which country you travel to, the American dollar may not have the spending power that you hope for, leaving you without enough local currency to do everything that you want to do on your trip. Ask your bank about fees and conversion rates. This will give you the option of using your bank's rates and fees or choosing a third-party conversion company and enable you to secure the cheapest exchange rate available.

Do not forget to notify your bank before leaving for your trip. Often, banks will freeze your accounts if they suspect fraudulent activity. Alert your bank about where and when you will be using your bank card to avoid being stranded abroad with a deactivated account. Also, ask your bank about foreign transaction fees—most bank cards will tack on a foreign-transaction fee up to 3 percent in addition to your purchase.

It is important to have local currency on hand while you are traveling internationally. Not all merchants will accept a credit card, especially transport services. However, be sure that you are not carrying large amounts of currency with you in the event of theft. Purchasing a money belt that can be easily concealed beneath your clothing is a great way to protect your money. You may also consider storing money in more than one place. This reduces the risk of all of your money being taken in the event of a theft. Having an emergency fund is important, but it may not be sufficient. You may also consider having a credit card in case of emergency. A good rule of

thumb is to have enough available credit to get a plane ticket home from wherever you are.

Lastly, be sure you have telephone numbers for all of your banking institutions. You may need the ability to contact your bank while you are traveling.

Table 1 summarizes the advantages and disadvantages of various methods of payment.

| Payment Method    | Advantages  | Disadvantages   |
|-------------------|---|---|
| Cash              | <ul style="list-style-type: none"> <li>Universally accepted</li> <li>Easy way to budget your money</li> </ul>   | <ul style="list-style-type: none"> <li>No protection if stolen or lost</li> </ul>   |
| Credit Card       | <ul style="list-style-type: none"> <li>Universally accepted</li> <li>Good idea to use for major purchases</li> <li>Some provide flight accident, hotel, baggage delay and car rental insurance</li> <li>Fraud protection when card is stolen</li> <li>The Fair Credit Billing Act allows for a maximum liability of \$50 liability for unauthorized credit card charges.</li> </ul> | <ul style="list-style-type: none"> <li>Can overspend your budget easily</li> <li>Can be a target of theft. Always carry one extra card for this situation—and keep the cards separated</li> </ul> |
| Traveler's Checks | <ul style="list-style-type: none"> <li>Protected if stolen</li> <li>Requires a counter-signature to use</li> <li>Available in several currencies</li> </ul>   | <ul style="list-style-type: none"> <li>Can be expensive to buy</li> <li>Not accepted by all retailers</li> <li>Some merchants may charge a fee to use them</li> </ul>                             |

*continued*

| Payment Method      | Advantages  | Disadvantages  |
|---------------------|---|--|
| ATM Card            | <ul style="list-style-type: none"> <li>• Easy access to cash in bank</li> <li>• account using a reputable ATM. ATM and debit card transactions are protected under the Electronic Fund Transfer Act</li> <li>• To limit your liability to \$50, be certain to report any fraudulent debit card charges to your bank within two business days. After the two day window, you could be liable for as much as \$500 in unauthorized charges</li> </ul> | <ul style="list-style-type: none"> <li>• May be difficult to locate ATMs in rural areas or abroad</li> <li>• Charges for using ATMs outside your bank network</li> <li>• Can be appealing for thieves</li> <li>• Must report lost or stolen ATM cards immediately for protection</li> <li>• Watch and report inaccurate charges on statements quickly</li> </ul> |
| Prepaid Travel Card | <ul style="list-style-type: none"> <li>• Load the money from your bank account onto the card</li> <li>• Used like an ATM or credit card</li> <li>• Convenient to carry</li> <li>• Has a PIN for extra security</li> <li>• Can replace if lost or stolen</li> <li>• Good alternative for those without a credit card or ATM card</li> </ul>  | <ul style="list-style-type: none"> <li>• Fees to load money and activate</li> <li>• May be difficult to use abroad</li> <li>• Must track the balance on the card</li> </ul>  |

## Travel Insurance

If you are working with a travel agent to book your getaway or using certain internet travel sites, you may be offered travel insurance. Travel insurance is designed to limit your exposure to risk during your trip. You purchase the insurance to limit your expenses in case of an unexpected event such as illness or family death.



Often, when booking a trip, certain expenses are non-refundable if for some reason you are forced to cancel the trip.

One question you need to answer is should you even consider travel insurance? Typically, you would not consider travel insurance for inexpensive trips, such as a short weekend getaway. Furthermore, when considering whether to purchase travel insurance, you will want to weigh the cost of the insurance policy with your potential loss. If your potential loss is minimal or an amount that you are willing to absorb, then you will most likely avoid travel insurance.

Always be certain to check cancellation policies for hotels, airlines, etc., so that you fully understand your expenses if you cancel. Cancellation policies vary greatly. For example, if you cancel at least 24 hours prior to scheduled arrival, you may receive a full refund of your deposit. However, in other instances, there may be a no cancellation policy and you lose your entire deposit.

Next, consider the reasons or likelihood that you may need to cancel your travel plans: Is there someone in your family who is chronically ill? If their health status worsens, would it affect your travel plans? Is your job unpredictable? Could you be called in to work at the last minute and forced to cancel your trip? Do you have any other personal situations which might cause a last minute change in your travel plans?

Trip cancellation protection is often the reason someone considers purchasing travel insurance. However, depending on the travel insurance policy, there are many other unforeseen expenditures, such as health-related expenses, emergency evacuations, lost luggage, etc. which the policy may cover. Typically, the more events covered in a policy, the more a policy will cost. Therefore, be certain that you are not buying insurance that you do not need. For example, if you are traveling within the United States, most likely you would not need additional health insurance coverage beyond your current policy. However, if you are traveling overseas, your current health insurance provider may not cover medical expenses incurred outside of the United States.

Travel insurance may be offered through your travel agent, tour company, internet travel provider or through a third party insurance company. Travel insurance prices may vary significantly from provider to provider. It is important to comparison shop not only prices, but also policies. Read the policy carefully looking for exclusions and exemptions. For example, can you cancel for any reason or only specific reasons outlined in the policy? You will also want to review the requirements for reimbursements. As you review different travel policies, keep your personal needs and situation in mind to determine if coverage and peace of mind provided by the insurance policy outweighs the cost.

## Avoiding Travel Scams

Finally, avoid being the victim of a travel scam by following these few simple guidelines:

- Travel deals received by email are usually a scam.
- If it's too good to be true, it probably is—always read the fine print and keep copies.
- Never give your credit card to any travel company if they contacted you first.
- Always ask for what is not included in the deal—service fees, taxes, etc.
- Never dial a 900, 809, 758, or 664 number for a travel agency or for customer service.
- Never make a payment until you receive all the information.
- Use a credit card to make your purchase so any scam can be disputed.
- Ask for references and contact them.