

Don't Get Ripped Off by Your Credit Card on Your Next Vacation

Foreign Credit Card and ATM Fees Can Add to Your Vacation Costs

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Traveling overseas can be expensive enough with rising airfares, expensive hotels and fluctuating exchange rates.

But for many travelers there is another hidden expense: credit card fees of up to 3 percent, simply for swiping your card outside the country.

It might only be a dollar here and a dollar there, but on a \$4,000 family vacation to Europe those fees would add an extra \$120 to the trip's cost.

Using a credit card or withdrawing cash from an ATM usually provides the best exchange rate. But the fees can quickly pile up. Not every bank charges such high fees, leaving it up to travelers to do their homework -- and pick the right card -- well in advance of their trip.

There are actually two fees charged for using a credit card, and this is where it pays to be a savvy consumer. The first is a 1-percent transaction fee that Visa, MasterCard and other card processors levy to actually convert euros to dollars or pesos to dollars. There is -- almost -- no way to avoid this fee. (We'll tell you the few exceptions in a minute.)

The second fee is the one that can be avoided. This is a fee that individual banks that issue credit cards levy. It can be as high as an additional 2 percent.

"They're charging an extra 2 percent for absolutely no reason whatever, ever, just because they believe they can," said Gary Steiger, who runs the website Free Frequent Flyer Miles, which tracks credit card, banking and mileage program offers.

But some banks don't charge that extra 2-percent fee and a handful go one step further, taking a loss on the 1-percent fee from Visa and MasterCard, giving consumers no foreign transaction fees.

Capital One offers several cards with no such fees, and the Pentagon Federal Credit Union offers the PenFed Promise Card that also doesn't add on fees for foreign purchases.

Best Credit Cards for Foreign Travel

Bill Hardekopf, CEO of LowCards.com, advises travelers to call their banks before going overseas to get an understanding of the possible fees.

"That way you don't get surprised when you get home and look at your credit card bill," Hardekopf said.

(There is a very lengthy discussion about what card is the best at the travel forum site FlyerTalk.)

Hardekopf says Bank of America, Chase and Citi all charge 3 percent fees. American Express charges 2.7 percent. Discover charges 2 percent, but isn't as widely accepted overseas.

Other cards, like the USAA World MasterCard and American Express cards from Fidelity charge only 1 percent.

"It might be well worth investigating getting that card that doesn't charge you that international transaction fee," Hardekopf said.

Ed Perkins, an editor at large with SmarterTravel, says that for most travelers it is probably not worth the pain and hassle of getting a new card. But, if you are a frequent traveler or about to take a big trip overseas, he suggests a Capital One card.

Perkins says that when picking a card, travelers should avoid those where the banks add on that extra 2 percent.

"The additional 2 percent is something that your own bank gets for essentially doing nothing because Visa or MasterCard has already done the conversion," he said.

So by now do you want to just go to the ATM and pay for everything in cash? Well, it's not that simple. Credit cards offer convenience, purchase protection and allow travelers to move about safely without carrying large amounts of cash.

Best ATM Cards for Foreign Travel

But the real key here is that banks also make a lot of money off your foreign ATM withdrawals.

For instance, Hardekopf said, Bank of America charges a \$5 withdrawal fee, plus a 1-percent international transaction fee. Chase assesses a \$3 withdrawal fee for non-Chase withdrawals outside the United States plus a 3 percent conversion fee. Citi charges a 3 percent fee after conversion to American dollars, plus \$1.50 per transaction. [Wells Fargo charges a \$5 withdrawal fee plus a 3 percent conversion fee]

Steep as those fees are, there are some exceptions. Bank of America is part of the Global ATM alliance, which means that customers won't be charged a fee for using certain banks' ATMs overseas.

In the United Kingdom, that's Barclays, BNP Paribas in France, China Construction Bank in China, Deutsche Bank in Germany, Santander Serfin in Mexico, Scotiabank in Canada and Westpac in Australia and New Zealand. But Bank of America customers who see two otherwise identical ATMs at the airport wouldn't know that one can save them money unless they asked before leaving home.

Steiger said that Bank of Internet, Charles Schwab and American Bank all offer cards with no fees overseas. Some will even reimburse customers for fees charged by the ATM's owner. [Many credit unions offer ATM cards with either 1% or no fee].

Overseas Travel Tips

Here are some other credit card tips for international travel from Hardekopf:

Avoid using your credit card at an ATM to get cash. The fee is typically 3 percent or \$10, whichever is greater. You will also immediately be charged the much higher interest rate for cash advances. The cash advance rate can be as high as 25 percent for some issuers.

Take a second card. Keep in mind that not all cards are widely accepted. If American Express is your primary card, it is not accepted everywhere, so have a MasterCard or Visa as a backup card. Discover does not have an extensive network in Europe and probably should not be your primary card.

Notify your bank and credit card issuer that you are taking an overseas trip. While you are asking your bank about foreign transaction fees, tell them that you will be using your card while traveling out of the

country. Otherwise, the foreign charges may raise a red flag with your issuer and a freeze could be placed on your account.

Take the phone numbers for contacting your bank from outside the United States.

You don't have to leave the United States to be charged a foreign transaction fee. Issuers recently broadened the definition of a foreign transaction. It is no longer limited to a purchase in a foreign country. Some issuers now charge a 3 percent foreign transaction fee on transactions made or processed outside of the United States. Making an online purchase in the United States could cost an additional 3 percent if that online merchant is in another country. Previously, the fee was not added when foreign transactions were made in U.S. dollars.

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