

People going to Europe often ask me – “how much foreign currency should I bring on my trip?” I have heard seasoned travelers give advice on this question that I do not agree with. One seasoned traveler recommends that tourist bring all of the foreign currency that they plan to spend. Such a tourist may be told to bring 1,000 Euros to Italy. This summer a tourist following such advice would have gotten Euros for about \$1.25 each in the U.S. I see two problems with this advice. First, if these tourists are robbed, they lose a huge amount of money. By holding less money, tourists limit how much they can lose through theft. Second, obtaining Euros in the U.S. is expensive. This summer, I was able to obtain Euros at an Italian bank’s ATM for \$1.19 each. I saved 6 cents a Euro compared to the expenses of the people who paid \$1.25 per Euro in the U.S. This difference adds up to \$60 for 1,000 Euros purchased, or as I like to think about it, it adds up to a very nice dinner for two at a good Italian restaurant.

On the other extreme, another seasoned traveler tells tourist not bring any Euros with them and instead plan to obtain Euros with an ATM card in Europe. On the surface, this approach seems reasonable. After all, it is cheaper to obtain Euros in Italy than it is in Arkansas. However, this advice has some drawbacks as well. First, it is convenient to have money right away. A tourist may need the foreign currency for cab fare or for food. The ATMs available in airports will not give you a good exchange rate and you will pay much more than the \$1.19 for a Euro that I paid this summer.

A second problem is that you can never be 100% certain that your ATM card will work right away in Europe. Every year, I have at least one student on a study abroad trip who has trouble using his or her ATM card and the Arkansas bank usually needs a day or two to resolve the problem. If these students did not bring money, they would be stuck in a foreign country without any currency.

The advice I give fits somewhere in-between the very different and opposing views that I just mentioned. I recommend that tourists bring about 300 Euros with them. This gives them enough money so that obtaining currency is low on their list of priorities when they arrive in Europe and they can tend to other concerns. I also recommend that tourist try their ATM cards out well before they actually need money. This way, if there is a problem with their ATM cards, they are not stuck without currency while their bank fixes the issue.

On a related note, I should mention that the fees charged by ATM machines vary. I have found a large Italian bank that only charges \$1 when I take out 300 Euros. ATMs not connected with a large reputable bank often charge higher fees for withdrawals and do not give exchange rates that are as favorable as the \$1.19 a Euro that I got this summer. Better still, some banks like Bank of America have international partnerships with European banks that allow their customers to withdraw money without having to pay a fee. Before you travel, it is worth looking into whether your bank has such arrangements. If your bank does have such an arrangement, it pays to look into where the relevant ATM machines will be in relation to where you will be staying.

I have not talked about credit cards because that topic probably justifies another column. However, I should warn potential travelers that many European countries, particularly Italy, have establishments that do not take credit cards. Over the last seven years, it has become much easier to use credit cards at more establishments, but in a country like Italy, you should still expect to be able to rely on a credit card less than you can in the U.S.

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