

Use prepaid forex card abroad to avoid currency fluctuations

Pay in local currency instead of Indian rupees to circumvent dynamic currency conversion

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Recently, during a trip to Europe, Amit Arora (name changed on request), a businessman from Gurugram, made a small yet costly mistake. He chose to pay for goods in rupees instead of euros, even though both options were available. This seemingly minor decision increased his final bill by nearly 7 per cent. This is one among several errors Indian travellers commit when handling payments abroad.

Use prepaid forex card

One smart option is a multi-currency prepaid travel card loaded with the local currency. "These cards allow payments at points of sale, facilitate online purchases, and enable cash withdrawals from ATMs," says TC Guruprasad, managing director, EbixCash World Money. He adds that these cards also offer the security of PIN protection for each transaction.

A forex card is loaded with a specific currency at a predetermined exchange rate. "This helps avoid the risk of exchange-rate fluctuations," says Swapnil Bhaskar, chief strategy officer, Niyo.

A prepaid travel card can be a useful tool for budgeting. "It helps you stay within your budget while travelling," says Vishal Dhawan, founder and chief executive officer (CEO), Plan Ahead Wealth Advisors.

However, there are a few drawbacks. According to Bhaskar, a forex card may lack additional benefits like airport lounge access, or rewards and discounts on travel-related bookings.

Dhawan advises travellers to fully understand how to reload the card in case the balance runs out during the trip. He also suggests carrying two cards as a precaution, in case one is lost or damaged.

Credit and debit cards: Largely avoid using

Using credit or debit cards abroad can prove costly. "Most travellers use bank-issued credit or debit cards to pay at



HOW TO CHOOSE A PREPAID FOREX CARD

- Understand fully all the expenses involved
- Choose a specialised multi-currency provider with expertise in international transactions

their destination. But these can come with high fees, such as foreign transaction fees on every payment or ATM withdrawal. Additionally, they charge a margin on the exchange rate, which is a hidden cost," says Shrawan Saraogi, APAC head of expansion, Wise.

International debit cards typically charge a forex markup of 3-5 per cent. "You can avoid this by using a zero-forex-markup international debit card," says Bhaskar. Debit cards use funds from the customer's savings account, which eliminates the need to reload the card.

Credit cards generally come with a similar 3-5 per cent markup. If you must use one abroad, again opt for a zero-forex-markup credit card. "Credit cards can offer valuable rewards and discounts on travel expenses such as flights and hotel bookings," says Bhaskar.

In emergencies, an international

- Consider how quickly you can reload, block, and unblock the card
- Check if the card provider offers refunds on unspent currency and whether any refund charges apply
- Look for exclusive benefits such as access to international lounges, Uber vouchers, or protection against loss

credit card can be a saviour. "In such situations, accessing funds quickly is more important than the costs involved," says Dhawan. He recommends ensuring before departure that your international card is active. Also, set a reasonable usage limit using your bank's net banking portal.

One important detail to note: there is no tax collected at source (TCS) on credit cards. However, on debit cards and forex cards, TCS of 20 per cent applies on spending above ₹7 lakh.

How to use an ATM abroad

When withdrawing money abroad, try to use ATMs that offer free withdrawals. "Some ATMs charge an additional fee, which can be expensive," says Bhaskar.

Saraogi advises withdrawing cash at a local ATM, rather than at the airport. He also recommends checking the fees involved for your specific card, as different travel cards have varying

pricing structures for cash withdrawals. Bhaskar warns against using credit cards for cash withdrawals, as this is a costly option. "A debit or forex card is better for this purpose," he says.

Carry some cash

Carrying some cash is essential for small payments, such as to local merchants or taxi drivers. "Carry the equivalent of \$300-400, or approximately 10-15 per cent of your total budget, in cash," says Guruprasad.

Dhawan suggests carrying a small cash buffer as a large one can lead to overspending. He recommends carrying the local currency in smaller denominations for situations where electronic payments may not be accepted. He also advises distributing the currency among family members, so that all the cash is not lost in the event of pickpocketing.

A few dos and don'ts

Before travelling, carefully review the schedule of charges for the cards you plan to carry, and avoid those with high markups. Keep your cards in an NFC (near field communication)-protected cover to enhance security. Avoid exchanging money at airports as the rates there tend to be unfavourable.

Travellers also need to be aware of the concept of dynamic currency conversion (DCC). Abroad whenever you are offered the option to pay in Indian rupees, avoid it, even if it seems more convenient. Always choose the local currency. "When merchants offer to charge you in your home currency instead of the local one, it gives them control over the exchange rate. This limits your visibility and control over what you are being charged," says Saraogi. Lastly, don't believe you must spend all the money loaded on your forex card. "You can return any unused funds to your bank account once you are back home," says Dhawan.

The writer is a Mumbai-based independent journalist