



Consumer News

Spring 2006

FDIC Insurance: Do You Know As Much As You Think You Know?

The Top Ten Misconceptions

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Misconceptions: A Top 10 List

To help depositors avoid repeating the mistakes of others, *FDIC Consumer News* has compiled this “Top 10” list of misconceptions that some people have about FDIC insurance. This list is based on discussions with FDIC deposit insurance specialists, including representatives at our toll-free Call Center, which handles hundreds of calls a month from consumers asking about their deposit insurance.

Misconception Number 1: *The most a consumer can have insured is \$100,000.*

Too many people assume — often incorrectly — that if their bank fails their share of all their accounts would be added together and insured up to a combined total of \$100,000. Others have notions even further from the truth, such as the idea that the FDIC knows how much each customer has in every bank in the United States (rest assured, we don’t) and that the grand total of all those accounts is insured to no more than \$100,000. The reality is that your accounts at different FDIC-insured institutions are separately insured, not added together, and you may qualify for more than \$100,000 in coverage at each insured bank if you own deposit accounts in different “ownership categories.”

Suppose you have a variety of accounts at one bank. The funds you have in various checking and savings accounts (other than retirement accounts) in your name alone are insured up to \$100,000. Your portion of joint accounts — those with other people — is also separately insured to \$100,000. If you also have “revocable trust accounts” at the bank, the total can be separately insured *up to \$100,000 for each beneficiary* if certain conditions are met. (See “misconception number 8.”) And, under new rules, certain retirement accounts are insured up to \$250,000, up from \$100,000 previously.

“Depending on the circumstances, a family of four could have well over \$1 million in deposit insurance coverage at the same bank,” said James Williams, an FDIC Consumer Affairs Specialist. “And that coverage is separate from what is protected at any other FDIC-insured institution.”

FDIC Insurance: Do You Know As Much As You Think You Know?

The FDIC “brand name” is one of the most highly recognized in America. After all, we’ve been protecting consumers and their savings at banking institutions for more than 70 years. While most people also have a pretty good idea about how FDIC coverage works, we know from the many thousands of calls and letters received each year — including recent ones about the new insurance rules for retirement accounts (see the box on the next page) — that a surprisingly large number of consumers have potentially costly misconceptions about deposit insurance.

“The biggest concern is that some depositors who believe that all their funds are insured may inadvertently have some money over the insurance limits and risk losing it if their bank fails,” said Kathleen Nagle, chief of the Deposit Insurance Section in the FDIC’s Division of Supervision and Consumer Protection.

How much do *you* know about FDIC insurance? To find out, keep reading.

Misconception Number 2: *Changing the order of names or Social Security Numbers can increase the coverage for joint accounts.*

Many depositors mistakenly believe that by changing the order of Social Security Numbers, rearranging the names listed on joint accounts, or substituting “and” for “or” in account titles, they can increase their insurance coverage.

“Consumers are always telling us that they thought they could get more coverage if they did something like title one account for ‘Mary *and* John Smith’ and another account for ‘Mary *or* John Smith,” said Kathleen Nagle, chief of the Deposit Insurance Section in the FDIC’s Division of Supervision and Consumer Protection. “These moves will have no impact on joint account coverage. The FDIC will simply add each person’s share of all the joint accounts at the same institution and insure the total up to \$100,000.” (Note: Each person’s share is presumed to be equal unless stated otherwise in the deposit account records.)

Misconception Number 3: *If a bank fails, the FDIC could take up to 99 years to pay depositors for their insured accounts.*

This is a completely false notion that many bank customers have told us they heard from someone attempting to sell them another kind of financial product.

The truth is that federal law requires the FDIC to pay the insured deposits “as soon as possible” after an insured bank fails.

Historically, the FDIC pays insured deposits *within a few days* after a bank closes, usually the next business day. In most cases, the FDIC will provide each depositor with a new account at another insured bank. Or, if arrangements cannot be made with another institution, the FDIC will issue a check to each depositor.

Misconception Number 4: *The FDIC only pays failed-bank depositors a percentage of their insured funds.*

All too often we receive questions similar to this one: “Is it true that if my FDIC-insured bank fails, I would only get \$1.31 for every \$100 in my checking account?” As with “misconception number 3,” this misinformation appears to be spread by some financial advisors and sales people.

Federal law requires the FDIC to pay 100 percent of the insured deposits up to the federal limit — including principal and interest. If your bank fails and you have deposits over the limit, you may be able to recover some or, in rare cases, all of your uninsured funds. However, the overwhelming majority of depositors at failed institutions are within the insurance limit, and insured funds are always paid in full.

Misconception Number 5: *Deposits in different branches of the same bank are separately insured.*

FDIC insurance is based on how much money is in various ownership categories (single, joint, retirement, and so on) at the

same insured institution. It doesn't matter if the accounts were opened at different branches — they are considered the same bank for insurance purposes.

Distinguishing one bank from another isn't easy these days. Some banks have similar names but they're not the same institution. And then there are banks that use different "trade" names in different parts of the country or use a different name for their online banking activities or Internet divisions, but they're all the same bank for FDIC insurance purposes. The FDIC and other federal regulators have advised banks to clearly identify their legal names in advertisements and on Web sites.

When in doubt, you may contact the FDIC (see the next page). "One way to be extra sure you are depositing money in different banks is to ask the FDIC for each bank's insurance 'certificate number,'" noted Williams. "If the FDIC certificate numbers are different, the banks are different."

Misconception Number 6: Any product sold by a bank is insured by the FDIC.

You know the FDIC insures deposits, such as checking accounts and certificates of deposit (CDs). But in recent years banks also have been offering an array of financial products — including stocks, bonds, mutual funds, annuities and other insurance products — either directly or through other companies. These other products are not FDIC-insured — even if they were sold by a bank — and in some cases they could lose value.

To help minimize confusion, federal regulators require FDIC-insured institutions offering or advertising an investment to a customer to disclose that the product is not FDIC-insured, is not guaranteed by the bank or savings institution, and is subject to investment risk, including the possible loss of principal (the money invested).

Misconception Number 7: Each beneficiary named on an IRA (Individual Retirement Account) increases the FDIC insurance coverage.

No, the number of beneficiaries on an IRA does not affect insurance coverage. This misconception appears to be based on

confusion with the rules for per-beneficiary coverage of revocable trust accounts, as described below.

Under the FDIC's new rules that became effective April 1, 2006, up to \$250,000 in insurance is provided for the deposits a consumer has in a variety of retirement accounts, primarily traditional and Roth IRAs, at one insured institution. The previous coverage limit in this category was \$100,000. For more details, see the "What's New" box on the right.

Misconception Number 8: Revocable trust accounts are always insured up to \$100,000 for each beneficiary.

No, not always. A revocable trust account — typically a payable-on-death account or a "living trust" account — is one in which beneficiaries will receive the funds upon the owner's death but the owner (depositor) retains the right to change or revoke the trust. "Although a revocable trust account is insured to the owner, the insurance coverage is based on the interests of the beneficiaries who are entitled to receive the money when the owner dies," explained Nagle.

In general, the owner of revocable trust accounts at a bank is insured up to \$100,000 per beneficiary but — and this is important — that is only for "qualifying" beneficiaries under the FDIC's rules. Who qualifies? A depositor's spouse, child, grandchild, parent or sibling, including step-parents, step-children and adopted children. But other relatives, such as nieces, nephews, cousins or in-laws, as well as friends, organizations (including charities) and other entities do not qualify. The portions of the trust payable to any non-qualifying beneficiaries would be insured as the personal funds of the owner up to \$100,000 along with any deposit accounts he or she alone has at the same bank.

Our deposit insurance specialists often get calls that go like this: "I've got revocable trust accounts naming five beneficiaries — two nieces, two nephews and a friend. That means I have up to \$500,000 in FDIC coverage, right?" The correct answer here is: No — your coverage is \$100,000, along with any accounts you own alone (other than retirement

accounts) at the bank. That's because nieces, nephews and friends aren't qualifying beneficiaries.

The \$100,000 coverage per qualifying beneficiaries presumes equal shares of the trust. If that's not the case, the calculation of coverage becomes more complex. "Consider a father's revocable trust that gives 60 percent to a daughter and 40 percent to a son," said FDIC Senior Consumer Affairs Specialist Martin Becker. "If the trust has \$200,000 on deposit at a bank, the daughter's \$120,000 share would be insured for \$100,000 and the son's \$80,000 share would be insured in full, resulting in total coverage of \$180,000, not \$200,000." For more information, consult the FDIC.

Misconception Number 9: Revocable trust accounts are insured up to \$100,000 for each owner and each beneficiary.

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**FDIC Insurance:
What's New, What's Not**

What's New: As reported in the April 2006 *FDIC Consumer News* Special Bulletin, FDIC insurance for certain retirement deposits has increased to \$250,000 from \$100,000 previously. The higher coverage, the result of a new law, applies to the combined total that a consumer has at any one banking institution in Individual Retirement Accounts (both traditional and Roth IRAs), self-directed Keogh accounts, "457 Plan" accounts for state government employees, and employer-sponsored "defined contribution plan" accounts that are self-directed, which are primarily 401(k) accounts. In general, self-directed means that the consumer chooses how and where the money is deposited.

What's Not: The basic insurance coverage for other deposit accounts remains at \$100,000 per depositor. However, as before, there are ways to qualify for more than the basic coverage.

To learn more, see the Special Bulletin online at www.fdic.gov/consumernews or consult the FDIC (see next page).

As noted, each depositor's revocable trust accounts at a bank are insured up to \$100,000 per qualifying beneficiary. But some people incorrectly assume that the coverage is based on the total number of depositors and beneficiaries.

Let's say an owner of a revocable trust names his or her child as the only beneficiary. Some people assume the account is covered up to \$200,000 (\$100,000 for the depositor and \$100,000 for the beneficiary). But actually, the FDIC coverage is up to \$100,000 for the one qualifying beneficiary. According to Williams, "This often comes as a surprise to depositors who will respond, 'What about me? Don't I get any coverage?' I tell them that the owners *are* covered, but coverage is based on the number of qualified beneficiaries."

But also consider this example. A family has a living trust account with two owners — a husband and wife — and they name their three children as the beneficiaries. Some people would guess that because there are five names on the account, FDIC coverage is for \$500,000. In fact, the FDIC would cover this account up to \$600,000 — \$300,000 for the husband's funds payable to the three beneficiaries and \$300,000 for the wife's funds payable to the same three beneficiaries (assuming that the shares of the three beneficiaries are equal).

Misconception Number 10: *An account for a deceased person's estate is insured up to \$100,000 for each person who will inherit money from the estate.*

Many people hear about the FDIC having per-beneficiary coverage for trust accounts and automatically assume that a deceased person's estate account will be protected by the FDIC for up to \$100,000 per heir. But that is only the case for deposits in revocable trust accounts with qualifying beneficiaries (as well as certain irrevocable trust accounts, which we haven't addressed here). Under the FDIC's rules, an estate account is insured along with any individually owned account of the deceased person (any checking accounts or CDs the person owned by himself or herself, and not including IRAs) and the grand total would be insured to \$100,000. 🏠

You Get a Large Windfall: How Can It All Be FDIC-Insured?

The FDIC frequently gets inquiries from people who, because of a recent development (perhaps an inheritance, a home sale, or a big payment from a pension or insurance claim) have a large sum of money they want to have fully protected by FDIC insurance. "They are often surprised to learn there are ways they can deposit much more than \$100,000 at one bank and have all of it insured by the FDIC," said Kathleen Nagle, chief of the agency's Deposit Insurance Section.

In general, to maximize your FDIC insurance coverage at one bank, you can deposit funds in different "ownership categories" (such as single accounts, joint accounts and certain trust accounts). Because each category is separately insured, that enables you to go beyond the

basic deposit insurance coverage of \$100,000. Also, payable-on-death accounts (which state who will get the funds upon your death) may get extra coverage based on how many qualified family members are named as beneficiaries (see Page 3).

However, before structuring accounts just to maximize insurance coverage, the FDIC has some warnings. "First, remember that if you add someone as a co-owner to an account just to maximize your insurance coverage, this other person will have as much right to withdraw the money as you do," Nagle said. "Second, only name beneficiaries to a payable-on-death account if you truly want that person to get the money if you die. Third, make sure you meet any FDIC requirements for obtaining coverage in the different ownership categories." 🏠

Do-It-Yourself Deposit Insurance Calculator More User-Friendly

Since 1998, the FDIC's Web site has featured an interactive calculator that consumers can use to quickly and easily figure out whether deposits at an FDIC-insured institution are within the insurance limit. The FDIC in February 2006 introduced a new version of the Electronic Deposit Insurance Estimator (EDIE) for consumers that is more user-friendly and has more options than the original.

For example, the new EDIE features a much simpler process for entering account information. "Before, to accurately analyze your insurance coverage, you needed to know how your accounts fit into specific FDIC insurance categories," explained Kathleen Nagle, chief of the FDIC's Deposit Insurance Section. "Now, based on your answers to some simple questions, EDIE will intuitively place your account information into the appropriate insurance category."

Also, EDIE now handles insurance calculations for business accounts (such as those for corporations and not-for-profit organizations) and certain "living trust" accounts.

To find EDIE on the Web, go to www2.fdic.gov/edie. (Note to bankers: The FDIC has a special edition of EDIE for your use in helping customers estimate their insurance coverage.) 🏠

For More Information About FDIC Insurance

Go to the FDIC Web site at www.fdic.gov to find brochures, back issues of *FDIC Consumer News*, and an online insurance calculator (see above).

Call our toll-free consumer assistance line at 1-877-ASK-FDIC, which is 1-877-275-3342. For the hearing-impaired, call 1-800-925-4618.

E-mail your questions using the FDIC's Customer Assistance Form at www2.fdic.gov/starsmail/index.asp.

Send a letter to the FDIC, Deposit Insurance Section, Division of Supervision and Consumer Protection, 550 17th Street, NW, Washington, DC 20429-9990.

The Debit Card Debate

A card that offers speed and convenience also has many consumers unsure about costs and safety. Here are answers to common questions.

“And how would you like to pay for that?” More and more, consumers are answering that question, “By debit card.” But even though debit cards are becoming more common and more popular, many consumers are still unsure about how debit cards work, their pros and cons, and how to use them safely. To help you understand the basics, *FDIC Consumer News* posed some questions and got some answers

What is a debit card?

A debit card looks like a credit card but works like an electronic check. Why? Because the payment is deducted directly from a checking or savings account. If you use a debit card at a retail store, you or the cashier can run your card through a scanner that enables your financial institution to verify electronically that the funds are available and approve the transaction. Most debit cards also can be used to withdraw cash at ATMs (automated teller machines).

Why do people use debit cards?

For many people, it is more convenient to carry a small, plastic card instead of a bulky checkbook or a large amount of cash. Using a debit card is also easier and faster than writing a check. It’s a good way to pay for purchases without having to pay interest, as you would if using a credit card with an outstanding balance. You can even use your debit card to get cash when you make purchases at a store.

What kinds of costs are associated with debit cards?

There may be fees for using your debit card. Examples: Some banks charge a fee if you enter a PIN (Personal Identification Number) to conduct a transaction instead of signing your name. You may trigger a fee if you overdraw your account using your debit card, just as you would if you “bounced” a check. Or, there could be a charge if you use your debit card as an ATM card at a machine that is not operated by your financial institution. As

with other bank products, your financial institution must provide disclosures explaining the possible fees associated with a debit card. Be sure to read the disclosures to avoid an unexpected fee.

Some debit cards come with “rewards” or other incentives for using them. How can I know which one is a good deal?

As with similar financial products, rewards-linked debit cards are designed to encourage people to use a certain bank and its services. Before opening a new account or changing banks just to get a different perk, study the fine print. Start by reading the disclosures that explain the account terms and fees to understand the potential benefits as well as the costs.

How can I overdraw my account if my bank or bank network must approve a debit card transaction?

First, because the payments are electronic, they are deducted from accounts more quickly than when using a paper check. Often, a debit card purchase is posted within 24 hours instead of days, as may be the case with a paper check. That means there would be little time to make a deposit to cover a purchase, if necessary. In addition, even though a transaction was approved, you may overdraw your account because the bank won’t know what other withdrawals you have made that day until it settles all transactions later that day.

Or, suppose you don’t realize you have only \$100 in your bank account and you want to use your debit card to buy a \$200 item. Depending on the terms of your account or the rules of the card network, the bank might approve the \$200 purchase as a convenience, but it also might assess an overdraft fee for that transaction and subsequent ones until you make a sufficient deposit.

The bottom line? “Since a debit card payment is just like writing a check, you should always keep track of how much money you have left in your account to



avoid overdrawing the account and incurring fees,” said Joni Creamean, an FDIC Senior Consumer Affairs Specialist.

If I use a debit card to make a purchase can the merchant put a temporary “block” or “hold” on other funds in my account?

Yes, in certain circumstances, merchants can take these steps as protection against fraud, errors or other losses. One common situation involves a hotel putting a hold on a certain amount when you use a debit card (or credit card) to reserve a room. Another example is when you use your debit card at the gas pump. Typically, the gas station will create two transactions — the first to get approval from your bank for an estimated purchase amount (let’s say \$50) when you swipe your card before pumping gas, the second for the actual charges when you’re done. Until the first (\$50) transaction is cancelled by the bank, usually within 48 hours, you wouldn’t have access to that amount in your account.

Because a debit card transaction is processed so fast, is it possible to order a “stop payment” or obtain a refund if I later discover a problem with the merchandise?

It depends. Because funds are deducted from your account very quickly, don’t expect to have the option to stop payment or obtain a refund. If the transaction cannot be cancelled, you may be able to work out other arrangements with the store. For example, if you return an item to a merchant and you’re not able to get a refund, you instead may qualify for store credit or a gift card.

“If you’re concerned that the merchant might not deliver what is promised, you might consider using a credit card instead of a debit card,” says Janet Kincaid, FDIC Senior Consumer Affairs Officer. “That’s because the consumer protections are stronger for credit cards when it comes to

continued on next page

returning damaged merchandise.” She noted, for example, that the Fair Credit Billing Act, which applies to credit cards but not debit cards, gives you the ability, under certain circumstances, to withhold payment on defective goods until the problem has been corrected.

Sometimes you’re asked to enter a PIN to approve a debit card transaction, other times you can sign your name. Does it matter?

Yes, it could. Examples: If you use a PIN at a merchant’s sales counter, you also may be able to get cash back, and that can save you a trip to the ATM. However, be aware that some financial institutions charge consumers a fee for a PIN-based transaction. There also may be differences in how quickly the transaction is posted to your account, depending on how your bank processes PIN vs. signature debits.

Also, here’s how to select each option. *If you want to sign for a debit card transaction*, you generally swipe your card through the reader and choose “credit” — even though you are authorizing a debit (withdrawal) from your account, not a credit card transaction. *To use your PIN instead of signing*, select “debit.”

What more do I need to know to prevent debit card fraud?

Protect your debit card as well as the account number, expiration date, security code on the back, and the PIN. “Even if you never lose possession of your card, someone who learns your account number, security code and PIN may be able to use that information to access your account and create counterfeit cards,” said Aurelia Cardamone, an FDIC Senior Technology Specialist.

While in many cases you are not responsible for unauthorized transactions (see federal protections described later), it can be a hassle resolving the situation. Here’s how to avoid becoming a victim:

- Never write your PIN on or near your card. Memorize it instead.
- Don’t give out bank account information over the phone or the Internet unless you have initiated the contact or you know the person is who he or she claims to be. For

example, beware of deceptive calls or e-mails from crooks claiming to be from your bank asking you to “verify” (divulge) your account information. “Don’t fall for it,” said Cardamone. “A true representative of your bank will never need to ask for your PIN because your bank already has your account information.

- Don’t share your debit card PIN, security code and other account information with friends or relatives who aren’t co-owners of your account. Likewise, never reveal this information to new “friends” you meet over the Internet. “Common scams start with a job offer or an Internet friendship or romance that leads to pleas for money transfers and secrecy,” said David Nelson, an FDIC fraud specialist.
- Take precautions at the checkout counter, ATM and gas pump. Always stand so that no one can see the keypad where you enter your PIN. At retail establishments, it’s best to use do-it-yourself scanners. If you give your card to a clerk, be on guard against a dishonest employee who runs your card through two scanners instead of one. The second scanner could be capturing your account information to make a counterfeit card. In general, be alert for suspicious-looking devices that may be used to “skim” information from your card.
- If you use your debit card to shop online, consider extra precautions with your personal computer. Experts advise installing and periodically updating virus and spyware protection and a “personal firewall” to stop thieves from secretly installing malicious software on your personal computer remotely that can be used to spy on your computer use and obtain account information.
- Look at your bank statements as soon as they arrive. Or, better yet, review your account each week by phone or the Internet. Promptly report any discrepancy, such as a missing payment or an unauthorized transaction, to your bank. Your quick attention to the problem may help limit your liability and give law enforcement authorities a head start on stopping the thief.

What federal protections cover consumers who use debit cards?

The federal Electronic Fund Transfer Act (EFTA) protects you from errors, loss or theft of your debit card. However, unlike the Truth in Lending Act protections for credit cards, which cap a consumer’s liability for unauthorized transactions at \$50, the law limits liability to \$50 if the debit cardholder notifies the bank within two business days after discovering the theft. If you don’t notify your bank within those two days, you could lose up to \$500, or perhaps more. In the worst-case scenario — if you receive a bank statement that includes an unauthorized debit-card withdrawal and you wait more than 60 days to alert your bank — you could be liable for any amounts from transactions made after that 60-day period.

The good news is that many banks don’t hold a consumer responsible for unauthorized transactions if he or she notifies the institution in a timely fashion. But remember that with a debit card, the money tapped by the thief has already been taken out of your account.

Under the EFTA, a bank has 10 business days to investigate the matter (20 business days if your account is new) and report back to you with its results. If the bank needs additional time, it may, under certain circumstances, *temporarily* give you some or all of the disputed amount until it finishes its investigation. Generally, a bank is allowed up to 45 days of additional investigation time (90 days for certain transactions). “But until the dispute is resolved,” said Creamean, “you should be prepared to pay your mortgage, car payment, credit card bill and any other obligations that may come due.” Also, she said, if the bank’s investigation finds there was no error, theft or loss, it can take back the money it put into your account, after notifying you.

Where can I get more information about debit cards?

The FDIC can help answer your questions or point you in the right direction. Call toll-free 1-877-ASK-FDIC (1-877-275-3342) Monday through Friday 8:00 a.m. to 8:00 p.m., Eastern Time. 🏠

Traveling Abroad? Don't Leave Home Without Making Financial Preparations

Planning a trip abroad? If so, have you given much thought to how you are going to pay for your expenses in a foreign country? And do you know enough to protect yourself from thieves who target travelers? **FDIC Consumer News** offers these suggestions for preparing yourself and your finances.

Don't carry much cash. Have a small amount for emergencies, tipping and transportation. Remember, the more money you have in your wallet, the more you will lose if it is stolen. And lost or stolen cash can't be replaced.

Take a couple of credit cards. Most of the time, credit cards are easy to use and widely accepted in other countries. They can be easily replaced if lost or stolen, and U.S. law limits your maximum liability for unauthorized use to \$50 per card. But before you leave, check with your card issuer to find out about the likely fees for foreign transactions (typically in the range of one to three percent but sometimes more, so shop around) and any possible restrictions you may face abroad. Also remember that some foreign countries allow stores to impose an extra charge for credit card purchases.

Taking more than one credit card makes sense just in case one is lost or otherwise can't be used, such as if a company "blocks" part of your credit line to cover expected costs when you rent a car or check into a hotel, thus making that amount of credit unavailable to you. Also, it's a good idea to contact your card issuers before you go and let them know where and when you will be traveling. That way charges abroad won't be denied based on incorrect assumptions that your card has been stolen.

Consider "prepaid debit cards" and traveler's checks as replacements for cash. A prepaid debit card allows you to load a specific amount of money on the card for purchases and cash withdrawals from ATMs (automated teller machines). You should also be able to add more value

to the card during your stay, perhaps by making the necessary arrangements online or by phone, but it can take anywhere from a day to a week for the funds to become available. If the card is used by a thief, the most you can be held responsible for is the value on the card — there's no other account that can be raided — and the card issuer may provide additional loss protection. However, be aware that these cards do come with an assortment of fees and may not always be accepted at all retail locations or banks.

Similarly, traveler's checks can be used instead of cash and may even be available in a foreign currency, but not all businesses will accept them and those that do may charge a fee. Also follow the precautions recommended by the check issuer in case your traveler's checks are lost or stolen. For example, you'll be instructed to sign the top of each check as soon as possible after you purchase them; otherwise, anyone who obtains the check can use it.

Ask if your debit card can be used for purchases abroad. Debit cards, which can be used at stores and at ATMs, deduct funds automatically from a bank account. Most U.S. banks have arrangements that allow customers to use their debit cards in foreign countries. Ask your bank about potential costs and limitations, such as transaction fees and (for security purposes) any daily limit on how much money you can access.

Be aware that, as with blocks on credit lines, if you use your debit card to reserve a room the hotel can put a temporary hold on a certain amount of money in your account. You generally cannot reserve a rental car with a debit card, but you can pay the final bill with one. (See Page 5 for more details about debit cards, including the importance of quickly reporting a lost or stolen card to avoid major losses.)

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Plan ahead if you plan to use ATMs.

Ask your bank for guidance on the best, cheapest ways to use ATMs in a particular country. For example, you might face smaller fees for withdrawing money using a debit/ATM card instead of getting a cash advance (a loan) using a credit card. Or, perhaps your bank has arrangements with foreign institutions that could reduce the fees and finance charges you'd pay at their ATM compared to other locations. Find out if there's a maximum daily amount you can withdraw. As mentioned previously, carrying a large amount of cash may be asking for trouble.

Take security precautions. Don't flaunt your cash or bank cards. Keep your money safely away from pickpockets, perhaps in a money belt, a pocket that buttons or zips, or in a purse held close to your body. Never put all your money in one place. Carry only what you need and keep extra cash, jewelry, passports and other valuables in a hotel safe. And never have the PINs (Personal Identification

Numbers) for your credit, debit or ATM cards on or near the cards themselves.

Keep currency-exchange costs down.

Become familiar with the value of foreign currency compared to that of the U.S. dollar. That way you'll know if that must-have souvenir is going to cost \$5 or \$50. Also try to do some advance research on the exchange rates if you use your credit card or debit card to make purchases abroad instead of converting U.S. money to foreign currency after you arrive. You may find you'll get more favorable terms using your cards and have less cash to carry and risk losing.

If you need to convert U.S. money abroad, most experts also say you'll get the best deal using a bank or other company that's in the money-exchange business, not a store, restaurant or street vendor. And if a store offers to charge a credit card purchase in U.S. dollars rather than the local currency, be aware that this could be more costly than the credit card issuer's currency exchange rate.

Want more tips for traveling abroad?

Start at the U.S. Department of State's Web site www.travel.state.gov/travel. And then start out on your trip knowing you're better prepared to cope with financial frazzles far from home. 🏠

Tips for Saving and Borrowing Money

Experts say that consumers should do a better job saving money while controlling spending and borrowing. Here are some useful Web sites with tips for all of us:

- The FDIC's "Quick Links for Consumers" page, which features brochures and back issues of **FDIC Consumer News**, at www.fdic.gov/quicklinks/consumers.html.
- The federal government's central Web site about managing money at www.mymoney.gov.
- Ideas for cutting spending from the "66 Ways to Save" campaign at www.66ways.org.