

FORMS OF PAYMENT WHEN TRAVELLING INTERNATIONALLY

GR 12 CAPS TERM 3

FORMS OF PAYMENT:

1. Electronic fund transfers (EFT)
2. Telegraphic transfers (SWIFT transfers)
Society for Worldwide Interbank Financial Telecommunications
3. Bank drafts
4. Internet payments
5. Foreign bank notes
6. Credit cards
7. Preloaded foreign currency debit cards



INTRODUCTION:

- There are several methods tourists can use to pay for goods and services when travelling in a foreign country. Each method of payment has its advantages and disadvantages and tourists need to do research before deciding which method is best suited to them.

1. ELECTRONIC FUND TRANSFERS (EFT)

- An EFT is the electronic exchange, transfer of money from one account to another, either within a single [financial institution](#) or across multiple institutions, through [computer](#)-based systems.
- **Its advantages are:**
 - It is safe and secure
 - It is efficient and fast
 - It is less expensive than paper cheque payments and collections
 - Money can be transferred throughout the world.
- **Its disadvantages are:**
 - Funds will only show on a beneficiary's account if the transaction is done before a specific time of the day, otherwise it will only show the next day.
 - Funds might be transferred to or from a person's account on the incorrect date.
 - It may be difficult to cancel an EFT.

2. TELEGRAPHIC TRANSFERS (SWIFT TRANSFERS)

- Telegraphic transfers are a method of electronic funds transfer from one person or institution to another. A wire transfer can be made from one bank account to another bank account or through a transfer of cash at a cash office. Wire transfer systems are intended to provide more individualized transactions than bulk payment systems.
- **Advantages:**
 - If you are stuck overseas without cash, someone at home can send you money electronically within a day
 - You do not need Internet banking as the banks send the information directly to each other.
- **Disadvantages:**
 - Fees can be high.

3. BANK DRAFTS

- A banker's draft (also called a [cashier's check](#)) is a [cheque](#) where the funds are taken directly from the financial institution rather than the individual drawer's [account](#).

- **Advantages:**

- It is one of the safest ways to send money abroad.

- **Disadvantages:**

- Bank fees and charges can be high
- Drafts need to be physically sent by mail or courier, so they may take a few weeks to reach the recipient.
- The recipient cannot cash the draft unless he has a bank account in which to deposit it.

BANK DRAFT SAMPLE

Bank Draft

John Doe Bank PLC

021 0043 212 334

0 - 094
557

Certified Bank Draft

24th Jun, 2016

To ** MARY SMITH ** or order

The sum of THREE HUNDRED THOUSAND

** POUNDS STERLING ONLY **

US\$300,000.00

0613
BANK DRAFT

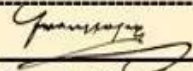

Signature Manage Fin Dept

NOT TO EXCEED
MAXIMUM AMOUNT

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-----Please do not write below line-----

John Doe Bank Inc '00034692021 '0556498804: 0101889941: 0202'


Bank Director

Drawn by a Bank on its Own Funds

4. INTERNET PAYMENTS

- **Internet payments describe any online payment (on the internet)**
- **for a product or service.**
- **Advantages:**
 - They can save time
 - No need to stand in long queues to pay a bill
 - People can log into their accounts at any time to get an up-to-date statement of their transactions
 - Low transaction costs/fees.
- **Disadvantages:**
 - No internet access can cause late payments
 - There is no direct contact with the business from which a product or service is purchased
 - Computer crimes may result in money being stolen
 - Criminals record a user's keystrokes and then use this information to illegally access accounts.



5. FOREIGN BANK NOTES

- Foreign bank notes are cash (coins and notes) that the tourist uses in the country that they are visiting.
- **Advantages:**
- It's useful to have cash on hand for immediate expenses.
- **Disadvantages:**
- This is the most risky form of payment as if cash is stolen or lost it cannot be recovered.





6. CREDIT CARDS



- A card issued by a financial company giving the holder an option to borrow funds, usually at point of sale.
- Credit cards charge interest and are primarily used for short-term financing.
- Interest usually begins one month after a purchase is made and borrowing limits are pre-set according to the individual's credit rating.
- Examples include Visa, Master Card, Diners Club and American Express



CREDIT CARDS CNTD:

- **Advantages:**
- Cards can be used to buy expensive items.
- The debt can be paid off over time
- They avoid having to carry large amounts of cash
- Most businesses accept credit cards as a form of payment.
- **Disadvantages:**
- Some businesses do not accept credit cards
- It is easy to overspend and incur debt
- Transaction costs are charged every time you use the card
- Illegal copying of information from the magnetic strip of a card may give criminals access to an account (card skimming)
- Interest rates are high.

7. PRELOADED FOREIGN CURRENCY DEBIT CARDS

- These cards, issued by all major banks, are preloaded with foreign currency before tourists travel and are also known as ‘cash passports’.
- **Advantages:**
 - There is no chance of running into debt
 - The money loaded onto the card is safe
 - Activation of the card is protected by a PIN.
- **Disadvantages:**
 - Bank fees may be high
 - Some cards charge a fee when you use them to make a purchase or withdraw money
 - A lack of Internet access may make it difficult to load foreign currency onto the cards
- E.g. **Cash Passport Card / Travel Wallet / International travel Card**

