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How Efficient Is Sending Money With Crypto?

By: www.ProfitableInvestingTips.com

Many billions of dollars are sent across international borders every year by people working offshore and sending money home. Within Latin America and the Caribbean more than \$145 billion was sent in 2022. And the amount of money sent every year is still growing. The average cost to make these transfers via Western Union, Money Gram and other traditional agencies runs about 6.2%. One of the rationales for cryptocurrencies is that people can send money from country to country without going through a third party and paying such a high fee. A recent estimate is that using crypto for [cross-border payments](#) saves about 80% on transfer fees. In the real world, how efficient is sending money with crypto?

Crypto Remittance Businesses

Bloomberg wrote recently about a new [crypto remittance](#) business in The Bahamas. The business is called Island Pay and will use the Circle USDC stablecoin for its main cryptocurrency. The CINKO wallet will be available in thirty or more countries. There will be prepaid cards to allow users to make peer-to-peer payments or do business with merchants. The difficult part of this has been finding merchants who will accept payment with cryptocurrency. The other issue that nobody seems to talk about is the full cost of using this means of transferring money.

Cost of Non-crypto Cross Border Payments

If a person is working in the USA and wants to send money home they could, ideally, open a US bank account, get a debit card, and send it to their family back home. For use outside of the USA you can use a VISA or MasterCard to make local payments. You do not always have to change dollars into the local currency, which always incurs a fee. However, VISA and MasterCard charge a 1% fee for transactions in foreign currencies. And your bank will generally tack on a foreign currency conversion fee of 1%, 3%, or higher. If you use your debit card at a local cash machine you can get the local currency but the machine will charge a flat fee to use it no matter how much or how little you withdraw. They will charge around 6% to 7% for converting your dollars to the local currency. And, your bank often will charge a flat fee, like the cash machine, for a foreign purchase no matter how much or how little you take out of the cash machine.

Then there is the matter of the exchange rate. For point of sale use of your debit card you will get the current forex international rate. When you take money out at a bank cash machine they will typically take the 6% to 7% cut to their advantage on the exchange rate.

Thus using a debit card from a US bank to buy groceries generally is more efficient than sending money by Western Union (6.2%) but going the cash machine route is typically a lot more expensive. However, people need to pay their rent and landlords commonly do not take debit card payments. So, how does this work with sending cryptocurrency?

Full Cost of Crypto Cross-border Payments

Sending cryptocurrency is cheaper than sending dollars by traditional means, providing that you do not need to convert crypto on the receiving end. Best current evidence is that it costs about 80% less to send via crypto than by using Western Union, Money Gram, etc. A problem arises when a person on the receiving end needs to convert their crypto into Mexican pesos, Venezuelan bolivars, Costa Rican colons, or Bolivian bolivianos. According to *Stilt*, crypto exchanges will charge withdrawal fees, transaction fees, and/or currency conversion fees for changing Bitcoin or other cryptocurrencies into the local currency. That leaves paying taxes on any capital gains depending on local laws when you turn Bitcoin or another received [currency into cash](#). Depending on how much the exchange on the receiving end charges for their services the cost could even exceed the cash machine route for a bank debit card.

It appears that the biggest hurdle for crypto to jump over when it comes to sending money across borders is getting more merchants to accept crypto and not adding on excessive fees in the process!

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