


How the Best Money Transfer Apps Stack Up

 thepennyhoarder.com/bank-accounts/best-money-transfer-apps/

September 25, 2020

The Best Money Transfer Apps: How They Work and What You Should Know

by Tiffani Sherman

Contributor

Money transfer apps have changed how we pay each other.

Gone are the days when we would wonder if we'd ever see the money someone promised to pay us for their share of something. Now we know they don't need cash or a checkbook to pony up. (No more excuses!)

We pulled together this list of the best money transfer apps out there, plus some guidelines for proper payback etiquette for those of you who find yourself constantly saying, "I'll Venmo you."

How Money Transfer Apps Work

Money transfer apps are an easy, secure way to exchange money between friends or family. By downloading an app on your phone, or in some cases going to a web site, you can send money to people. All you need is their mobile phone number or email address.

The apps are linked to bank accounts, debit cards or credit cards, which is how they access your funds. Some payments are free, but others have fees, which often depends on how you fund the transfer.

When someone sends you money through the app, you can get access to the money by initiating a transfer to your bank account. Some apps allow you to store money with their service for easy access.

These types of apps are not the same as the payment-processing apps businesses use for transactions, but some companies do offer both.

All of the apps are available wherever you usually get apps for your phone.

What to Look for With Money Transfer Apps

When looking at the different apps, here are some things to look for.

- **Fees:** Some apps charge a fee for paying someone by credit card or sending money internationally.
- **Transfer time:** How long does it take to get your money? Some are instant, while some take some time.
- **Security:** Is the transaction encrypted on both ends?
- **Limits:** Some apps limit the number of transactions you can do in a set period of time. Others limit the amount of money you can send.

- **Customer service:** How can you contact someone if there is a mistake with a transfer or a transfer happens that you didn't authorize?
- **Protection:** Unlike bank accounts, many balances in money transfer apps are not insured against loss or fraud.
- **Correct information:** Make sure you check and double check the recipient's information before you confirm a payment. Once you send a payment, is it often impossible to get it back unless the recipient refuses it.

The best money transfer app for you might not be the best for someone else. It all depends how you plan to use them. Chances are, you'll use different ones for different purposes.

PayPal

PayPal is the grandparent of money transfer apps, as it's been around the longest and is probably the most familiar to many people.

How it works: PayPal is secure and you can send money both domestically and internationally, although fees apply for international transfers. You can also use PayPal online and not just from a phone app.

To send money via PayPal, you'll need to know the email address or mobile number of the person you're sending money to. Both the payer and the recipient will need PayPal accounts to transfer money.

People can also request payments through PayPal.

Fees: The fee structure for PayPal can get a bit confusing. You won't pay any fees if you're sending money from a linked bank account or through the app. However, if you want to use a credit or debit card, you'll have to fork over a 2.9% fee (plus a transaction fee if you're using a currency other than the U.S. dollar). Those transaction fees vary.

Transferring the money from PayPal to a linked bank account is free, but can take a few days. Instant transfers are available for a 1% fee.

International transfers: You can transfer money internationally, but if you're sending money to someone outside of the United States, be aware that you'll be subject to a different fee structure.

PayPal also offers business accounts, which can be a simple way to get paid for goods and services you provide through your job or business. Please note the fees are different for merchant accounts.

Venmo

Venmo serves two purposes: It's a secure way to pay while also connecting you with the people you pay. (Venmo's parent company is PayPal.)

Venmo has a social media feel, including a feed that allows you to share who you paid and what you paid them for. (You can even use emoji!) Venmo says the average user checks the app several times a week to see what their friends are up to. Venmo can also link up with your phone or Facebook contacts.

If you're not interested in publicizing your financial transactions with friends and family, you can turn this option off.

How it works: You can send money to anyone, as long as they also have a Venmo account. You just need their mobile number or email address. Users can also request payments.

Fees: Venmo is secure and is free to send money using a balance within the Venmo app, linked bank account, debit card or prepaid card. You'll pay a 3% fee when you use a credit card to send money.

Transferring money from Venmo to your linked bank account is free with a standard transfer. This could take some time, usually 1-3 business days.

If you're short on time, you can initiate an instant transfer, which carries a 1% fee or a minimum of \$.25 and a maximum of \$10.

International transfers: Both sender and receiver need to have U.S. bank accounts, so sending money abroad isn't possible.

Zelle

Zelle is part of most banking apps and allows you to securely send money almost instantly between bank accounts. It works with hundreds of US banks. Some bank-branded money transfer functions, like Chase QuickPay, use Zelle.

Each bank determines the types of accounts that are eligible to be part of Zelle. Credit cards, international debit cards or international bank accounts cannot link to Zelle.

How it works: You need an email address or a phone number to send money. The sender and recipient don't need to be customers of the same bank; they only need to both be enrolled in Zelle.

In most cases, you'll need your regular online banking user name and password to enroll and link accounts within Zelle. However, if you want to use the Zelle app — instead of initiating transfers using your bank's app — you'll need a separate login.

If you don't have a smartphone, you can also send money using Zelle at your bank's website.

Fees: Zelle charges no fees for sending or receiving money. However, individual banks might have a fee.

Cash App (Formerly Square Cash)

Cash App sets itself apart in a couple of ways. For one, it not only handles regular currencies; it also handles cryptocurrency.

You can also get special offers called "cash boosts," which can include discounts like 20% off DoorDash or 15% off Chipotle. The cash boosts change regularly, which many users say makes the app worth checking out on a regular basis.

How it works: To send money, you need to know the recipient's email address, phone number or unique ID the app calls a \$cashtag.

When you sign up, you'll need to link at least one bank account to the app. You can also store funds in the app.

Fees: There are no fees to send or receive money between friends if you have a linked bank account or debit card. There is a 3% fee to send money using a credit card.

Like the other apps, Cash App is secure and transferring your money to your bank account is free but can take a few days. Instant cash outs will cost 1.5% with a \$.25 minimum.

Cash App allows you to use your money to buy stocks or convert dollars to bitcoin, but there are fees associated with these services.

International transfers: Cash App is mostly used within the United States, but it can also be used to facilitate between the U.S. and the United Kingdom.

Facebook Pay

If you want to send money to people you're already connected with on Facebook, Messenger, Instagram and WhatsApp, Facebook Pay might work for you.

You can also use Facebook Pay to buy many items you see in Facebook or Instagram ads or from Facebook Marketplace.

How it works: Facebook Pay isn't a standalone app, but rather an enhancement to those primary social media apps. To set it up, you'll need to look in the settings for each app. That means that if you want to use Facebook Pay on several social apps, you will need to set it up in each app.

One big difference between Facebook Pay and other money transfer apps is you cannot link it directly to a bank account. Instead, you connect the service to a credit card, debit card or PayPal account.

Facebook Pay is secure, but if you want added security, you can create a PIN or use your device's biometrics security every time you make a payment.

Fees: There is no fee to send or receive money through Facebook Pay.

International transfers: Facebook Pay is expanding to other countries outside of the United States.

Google Pay and Apple Pay

Google Pay and Apple Pay started as ways to store your personal payment information, like credit and debit card numbers, and to make contactless payments using your phone and an encrypted number instead of your actual credit card number.

And now they're also handling peer-to-peer payments, which means you can send or receive money if you have the other person's email address or phone number.

Google Pay makes peer-peer-payment using debit card information.

Apple Pay goes a step further and allows you to pay someone in the iMessages messaging app.

Both payment methods are secure.

Transferring Money Internationally

While some of the above money transfer apps can be used to transfer internationally, other apps and websites focus primarily on transferring large sums of money internationally.

Popular international money transfer apps are:

Money Transfer Etiquette

In today's world of instant gratification and constant connections, what is proper money transfer etiquette?

In July 2019, Venmo surveyed 1,000 users and then partnered with an etiquette expert to help create some modern money manners.

Here are a few of the survey's findings:

- 75% said it's appropriate to wait 24 hours before issuing a request for payment.
- 24 hours is the longest you should wait before paying someone.
- 42% said the person who pays for dinner when the check comes back for the entire group should be paid immediately — before anyone leaves the table.
- 24% said no amount is too small to ask for, even \$1 to \$5.

As for advice from the etiquette expert, Venmo suggests:

- **Practice social awareness:** When using apps that have a social component, be careful of emojis and inside jokes that could embarrass someone. You never know who might see it.
- **Respond quickly:** If you can't pay someone within 24 hours, send the person a text or email saying why you can't pay them back.
- **Stay in contact:** Don't just ghost someone and make your friends and family track you down. It isn't fun.
- **Discuss:** If you're going to split payments, discuss this plan before an event. Don't surprise someone with a money request. Also, if you pick up the check and say something like "I got this," don't expect people to pay you back.
- **Correct mistakes:** If a money request has the wrong amount, politely point out the discrepancy, and decline the transaction. Send back money if someone sends you more than you were expecting.

The survey also found 65% of people say it's more stressful to owe someone money than to be owed money. The money transfer apps make it easy to relieve that stress — by paying up.

Tiffani Sherman is a Florida-based freelance reporter with more than 25 years of experience writing about finance, health, travel and other topics.