moneycorp

Managing investments and income overseas

Understanding the risk that currency fluctuations pose to your overseas income

If you have income or expenditure from overseas, you will be aware that fluctuations in the currency market can have an impact on the value of your funds. While the FX market is impossible to predict or control, there are ways to manage the risk of currency transactions which helps you to protect the value of your assets and earnings and limit your exposure to that risk.

Understanding risk in cross-currency transactions

In an increasingly global and mobile society, many people have investments across the world and receive income from abroad. These transactions are all subject to the risk inherent in currency assets due to fluctuations in the foreign exchange market.

The FX market fluctuates for a variety of reasons; economic statistics, political events and investor sentiment have a huge impact on the real value of your underlying asset or income. Positive domestic economic statistics, for example would be likely to cause a currency to strengthen against key counterparts in the short term. Politics has a similar impact with both certainty and uncertainty creating significant volatility. The run-up to an election, for example, or importantly the outcome of the Brexit deal can put significant pressure on a currency, which may weaken as a result. Currencies fluctuate in relation to each other, which means that even if the domestic picture is showing positive economic results and the political circumstances are stable and favourable to currency, better news elsewhere could still cause a currency to fall. In addition, the global nature of economics mean that actions by other countries can have far-reaching implications. The US-China trade war, for example, had an impact on the value of the Australian and New Zealand dollars because of the knock-on effect on international imports and exports.

Currency values fluctuate constantly; this can make it very difficult to predict when the best time to exchange your currency may be to protect your assets. A sudden drop in the value of sterling could mean that sending funds overseas may become more expensive than anticipated. You may have experienced this when buying currency for a holiday abroad and the larger the sum, the greater the risk. Even a slight difference or a fraction of a percentage point can have a significant impact on your currency costs. A sudden rise in the value of the pound could devalue any income from overseas, and if sterling weakens, could decrease the value of a currency transfer. The reverse is also true; there is an opportunity to make the most of your money but given the volatile and unpredictable nature of the currency market, it's a risk to leave such matters to chance.

Understanding the impact of currency market fluctuations on your funds and the inherent risk of sending or receiving international payments is the first step to hedging against significant losses. The expert guidance of a currency specialist includes both market insight and access to specialist tools which help you make the most of your money overseas.

Hedging against risk in currency remuneration

If you are currently working overseas, then you may be in receipt of a salary in foreign currency. If you send all or part of that salary back to the UK, you may have found that the amount varies month to month due to fluctuations in the currency market. Over time, you may have also watched the currency transfer fees from your UK high street bank mount up, eroding the value of your international salary.

From school fees to property maintenance, you may have commitments back in the UK even while you're working abroad. If you're sending money from your currency salary to meet those commitments, you may be organising payments on a regular basis and risk the increasing cost of those payments due to currency fluctuations. If you're managing costs in two or more countries, you may have faced a challenge in meeting those commitments due to currency fluctuations and could be spending a lot of your time making those payments to meet multiple deadlines.

Expert guidance can help you take advantage of fluctuations in the FX market as well as identify any specific tools and products that may help minimise risk. You may consider a forward contract, whereby you agree an exchange rate for a defined period of time, securing the amount you get for up to two years for your international salary (please note a forward contract may require a deposit). For example, someone working in Dubai being paid in Dirham with interests in the UK secures a forward contract at a rate of 0.236929 in March 2020, for their salary for the next 12 months. Just six months later, the exchange rate had fallen to 0.203218 in September, leaving the customer 14% better off as a result of the hedge. On a salary of 500k AED, that's over £16,000 extra over the course of a year. You can receive alerts on exchange rates so that you can manage the timing of any transfers and will also have access to a range of tools to automate transfers and manage the risk of currency transactions.

There are a variety of ways to manage the risk of currency transactions when you're transferring a salary from overseas. At moneycorp, we work closely with each of our clients to provide the tools and strategies that meet their personal requirements. Opportunities to mitigate the risk of currency transactions and potentially automate transfers will be presented as a range of choices; you can benefit from the expertise of your personal account manager and take control of your overseas income. If you're managing your financial commitments across borders, an international payments account, together with the support of a currency specialist, can help you make the most of your money.

Overseas shares and dividends

If you are in receipt of dividends from shares in companies based overseas, you are likely to receive the dividend yield in the currency of the country where that company is based. A diverse portfolio may include shares in companies across the world, which means multiple dividends in multiple currencies.

In general, it is possible to calculate a stock's dividend yield by dividing the annual dividend by the stock's price. However, if the yield is paid in currency, then you may need to additionally calculate the value of that yield in sterling. You can search for the current exchange rate, or even take an average based on recent trends to make an estimate. However, you cannot predict the exchange rate at the moment that the dividend is paid, or on the date you choose to exchange it.

Dividends are paid on a fixed schedule; the payment date – or dates for quarterly dividends – are announced on the declaration date. If you have made private equity investments, you may have a different schedule for receiving any dividends from the receiving limited company, but these are still subject to the same currency risks and costs as any other international income. Once the declaration of a company has been made, unless you have opted for a dividend reinvestment plan, you will know both the amount you are due to receive and the date that you will receive it. This means that while you can't know the exchange rate at this point in the future, you can use currency tools to manage that transaction and protect against sudden changes in the exchange rate.

Venture capital investments often operate on a longer-term schedule than the annual or quarterly payments of more established companies. The retention ratio of companies in receipt of VC funds can be higher to fund organisational growth, which means it's likely to be a longer term investment. While this can be a strategy that has significant returns in the long run, it makes it even harder to predict any currency income because of the volatile nature of the FX market and the constant changes in currency values. Being aware of the range of hedging strategies relating to currency risk as well as the tools to manage currency payments can form part of a VC investment strategy that allows you to mitigate the risk of currency costs on overseas investments.

M&A activity often results in cross border transactions by the nature of the underlying funding and financing. Shareholders in businesses going through a merger or acquisition will often find themselves with an FX exposure they were not expecting and as a result are not prepared for. Whilst their generalist relationship bank will happily execute an FX transaction for them, using a currency expert can be extremely beneficial, and not just for the likelihood of a significantly better exchange rate at the time of execution. Most importantly, working with a currency expert gives you access to knowledge that could help you decide on when you want to make an international payment, a service which is often overlooked by traditional banks as they don't specialise in foreign exchange.

Split Asset Investment

Another area where a currency specialist can provide support is with split asset investments overseas. When it comes to investments in luxury goods, the assets are often held by third parties and may be overseas. For example, part investment in a Ferrari Enzo which costs roughly £2.5m can appreciate in value by 15% per annum. A £100k investment in the car would be an appreciating asset, which may be held overseas. In most cases, split asset investments have a limited term, and the end date is confirmed at the point of investment. Split capital trusts typically run for five to ten years, and given the potential for changes within the currency market over that period, a currency specialist may be able to provide a supporting currency strategy for exchange funds at a future specified date.

Buying, selling and maintaining property overseas

If you own or are looking to own a property abroad, a currency specialist can help you make the most of your money and help guide you through what can be an extremely tricky process.

The nuances of dealing with overseas banks, lawyers and estate agents can be tough to navigate at the best of times, let alone when you also have to manage the complexity of the foreign exchange market. It's important to speak with genuine experts across all disciplines when conducting such transactions. Whilst google is your friend, the time, effort and energy to attempt to become an overseas property expert can be better spent elsewhere if you surround yourself with expertise.

Take the basics of the timing of an overseas property transaction and the consequence on the underlying price. From the time that you find that perfect plot to the time you complete, the financial markets have changed. Each second, the market moves, so it doesn't matter whether your purchase takes a few weeks or a few months, there is risk you need to consider.

For example, you agree to purchase a quaint French Chateau for €500k in mid February 2020. The exchange rate at the time is 1.20443, so you've calculated that's going to cost you £415,135. You have a good lawyer on side but there are some hoops to jump through in relation to some building permits for future development on the plot. In September everything is in place and you agree a completion date mid-month. The exchange rate is now 1.12681. The property is now going to cost you £443,730, £27,623 more than you anticipated.

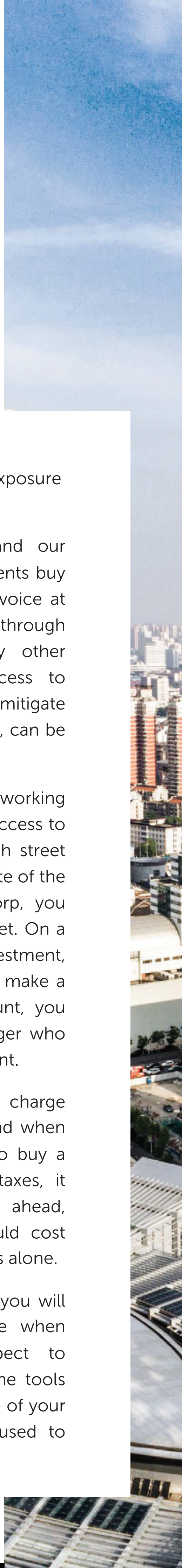
Whilst you cannot always accurately predict market movements, it's important to understand the financial risks you are taking and take any mitigating action that you are comfortable with. Forward contracts, for example, are commonly used in exactly this type of scenario to manage foreign currency risk. Secure the rate at the start once you've agreed in principal, and your exposure to the FX market is managed.

We have offices all over the world and our expert team have helped thousands of clients buy properties abroad every year. That expert voice at the end of the phone, who has been through the property buying cycle with many other clients before you, coupled with access to specialist products and tools to help you mitigate risk and alert you to key rate movements, can be invaluable.

Of course one of the major benefits to working with a currency specialist is that you gain access to competitive exchange rates. For years high street banks have operated from "board rates," "rate of the day" and opaque pricing. With moneycorp, you have access to clear pricing from the outset. On a large amount for a property deposit or investment, even a fraction of a percentage point can make a big difference. Once you have an account, you have access to a personal account manager who can give you a live exchange rate at any point.

Finally, UK high street banks also charge higher fees, up to £30 per transaction, and when you add up all the payments you need to buy a property including legal fees and local taxes, it makes a difference. Looking further ahead, ongoing monthly maintenance costs could cost you £360 in a single year in transaction fees alone.

If you decide to sell a property overseas, you will need to think about the exchange rate when calculating how much you can expect to receive in sterling from the sale. The same tools used to mitigate risk and maintain the value of your funds when buying a property can be used to repatriate funds from an overseas sale.



Investing in a managed lifestyle property overseas

As well as rural retreats and smart city apartments, another option for property investment is to buy a managed property as part of a golf club, luxury health spa or ski resort. These lock-and-go properties are managed by an agent, and are often attached to resorts which give you access to golf clubs, tennis courts or ski facilities. They also have the advantage that you can securely store your kit, so that you can just pick up and go without the additional hassle and cost of flying your golf clubs or skis every time you want a short break. Managed lifestyle properties also have the advantage of being in gated communities for additional security and many cover all property costs including local taxes and maintenance so you just have one payment to make each month or quarter.

Shopping abroad

From artwork and jewellery to a yacht or a horse, we know that when it comes to finding a unique item, attention to detail and personal service matter. That's why our expert team are on hand to provide guidance and support for all your international purchases. Whether you're buying online or in-country overseas, moneycorp provides access to a range of currency tools so you can make the most of your money. Your personal account manager can help to take the hassle out of the foreign exchange process so you can get back to enjoying your latest find.

Buying and maintaining a yacht

If you're planning on investing in a yacht, then wherever you intend to sail it, there may be opportunities to buy from overseas. Between the initial purchasing cost and ongoing maintenance and mooring requirements you may find that you have costs in multiple countries over the course of the year. Buying a vessel somewhere close to home gives you the chance to get to know the boat and the seller, and make plenty of visits to be absolutely certain it's right for you. However, if you decide to buy your yacht overseas, you may be able to make savings. Take note of the overall cost once you've paid import duties and local taxes together with the delivery cost and the impact of foreign exchange currency values.

When it comes to mooring costs, some people choose to invest in a managed property with private mooring. This can be convenient, with all the advantages of other lifestyle properties alongside a guaranteed mooring even during busy times, but it may limit how much you can travel. If you prefer to move around and go where the wind takes you, then you will want to consider the costs and currency requirements for international payments. If you're dealing in multiple currencies, then both the exchange rate and transfer fees may all add to the cost of each transaction. We can help you manage all your costs using our secure online platform and mobile app for great value currency payments on the move.

We offer all our clients expert guidance on the currency market to help with the planning of major purchases abroad and can also provide access and support for specialist currency tools that allow you to track, target and even fix a prevailing exchange rate and even manage payments on the move on the phone, online and via our mobile app.

Tools to manage your foreign exchange exposure and international payments

There are a range of different currency tools which you can use to make the most of your money overseas. The choice depends on your attitude to risk and the nature of your requirements. Our expert team provide guidance to help our clients understand the tools available to them as well as current trends in the currency market. We work closely with each of our clients to make sure we deliver what works best for them.

Spot Contract

A spot contract allows you to exchange currency on any given day, at the current exchange rate. You can use our secure online payments platform or give our expert team a call to agree an exchange rate and arrange the transfer. This approach is great for immediate transfers, and should be considered in conjunction with our rate alerts for known upcoming payments to help you time your transaction. Automated rate alerts can be set up online and alert you via email and text message when your desired rate hits. There are no guarantees with this approach, but tools to track rates, alongside expert guidance from your personal account manager with expertise in FX markets can help you manage this process.

Market Order

Market orders can be used to limit your risk when it comes to fluctuations in the currency market. There are two types of market order – a limit order and a stop-loss order. A limit order allows you to target a set exchange rate above the current market level, which once reached, will automatically buy or sell a set amount of currency for you. A stop-loss order helps you to limit your losses by pre-setting the lowest exchange rate at which you're prepared to exchange your currency. This approach may be useful when you know that you have upcoming foreign exchange requirements.

Your dedicated account manager will work closely with you to help you decide where to strategically place market orders and explain the associated risks. It's worth considering all the alternatives; market orders trigger automatically so if the rate improves further you will not be able to receive the higher rate. However, a market order can be a tool that provides some certainty about the rate you receive and it can work well if you have upcoming payments but aren't restricted by tight deadlines.

One advantage of using market orders is that they can be placed on a GTC (good until cancelled) basis, allowing you to place an order and not have to watch or monitor the markets and react once the rates are in your favour.

Regular Payment Plans

If you are making regular payments across borders, you may find it convenient to set up a Regular Payment Plan with your international payments account. Funds are collected from your bank account by Direct Debit, converted into the currency you require and sent to the destination that you provide.

The Regular Payment Plan (RPP) allows you to fix the amount of currency received, the sterling debited, or both if you choose to fix the exchange rate for your regular payments. You can fix these payments for up to two years, saving you time and offering certainty that any required payments will be sent and received according to the frequency you specify. This includes monthly, quarterly and annual payments as well as other intervals such as payments per term for tuition fees.

Forward Contract

A forward contract allows you to fix a prevailing rate of exchange for up to two years. (A forward contract may require a deposit.) Exchange rates can fluctuate 10-15% or more over a relatively short period of time. Fixing the rate means that you can minimise your risk when sending money abroad or receiving overseas income in a different currency.

While a forward contract protects you if the value of the pound goes down, there is also the chance that sterling could increase in value after you have committed to a contract. In that case, you may be locked into a lower rate than the prevailing market rate when it comes to settlement. This could be considered the price you pay for the certainty of securing your budget, but it's a point to consider with some care.

Which currency tool is right for me?

The right tool for you will depend on a variety of factors, including your payment schedule, your lifestyle and your attitude to risk. If you have an urgent payment to make, a spot contract may be your only option for that instance. If you're too busy to carefully manage each of your international currency transfers, you may benefit from the convenience of a Regular Payment Plan. If you are risk-averse, then a forward contract offers reassurance and certainty. However, if you can withstand a little risk or have the opportunity to wait for an improvement in the exchange rate, then you may want to consider market orders that allow you to target exchange rates or opt to receive automated tracking alerts.

We know the value of your time. That's why we provide guidance on a wealth of currency tools as part of the expert service our personal account managers provide. We take the time to understand your circumstances and requirements. Our expert team provide guidance and support throughout the process, managing currency risk and ensuring that your funds get wherever they need to be in the world.


东方明珠方向
Oriental Pearl TV Tower Of Shanghai
正大广场方向
Super Brand Mall
海洋水族馆方向
Shanghai Ocean Aquarium
金茂大厦方向
Jinmao Building
环球金融中心方向
Shanghai World Finan cial Center
上海国金中心方向
Shanghai International Finance Centre

Global specialists in currency exchange and international payments

At moneycorp, we provide specialist guidance and support to all our clients throughout the currency transfer process. From international payments to exchanging currency from investment dividends, our guidance and expertise can help you make the most of your money.

As an award-winning foreign exchange specialist, we have been helping clients with their currency requirements for over 40 years. We offer competitive exchange rates and low transfer fees. In addition, we deliver a tailored service that keeps you informed and assured throughout every transaction.

- Work with your personal account manager for all your FX transactions
- Make purchases in over 120+ currencies
- Receive specialist guidance on how to manage your funds across borders
- Benefit from the reach of a global company with offices around the world and local expertise
- Feefo award-winning customer service from our UK customer centre
- Send payments across the world anytime with 24/7 secure online access
- Automate regular, weekly or monthly payments

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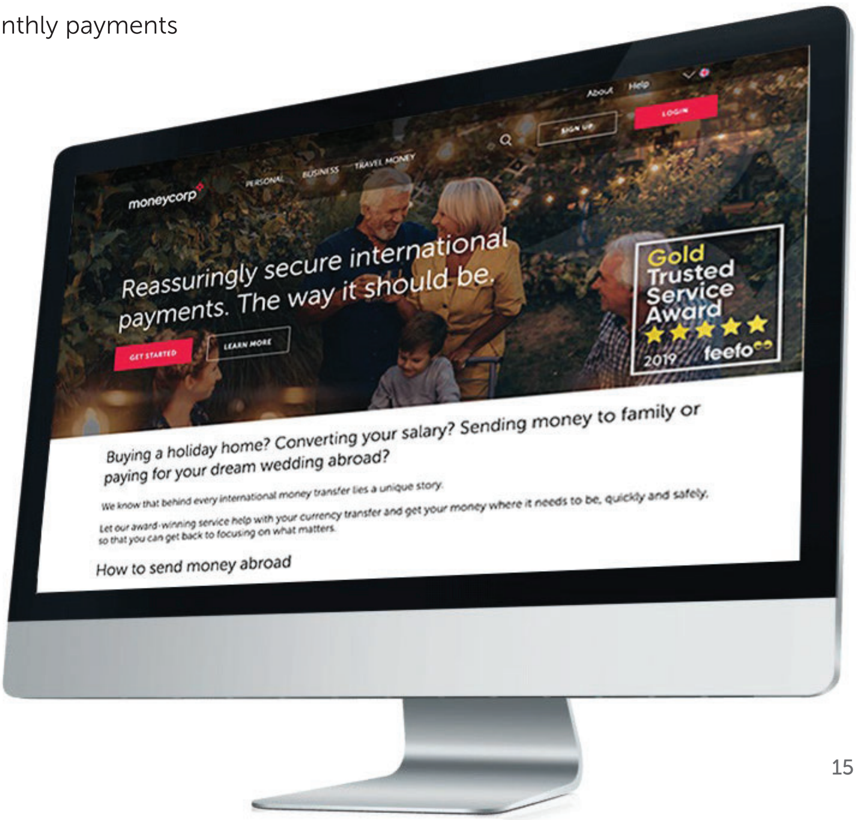

Tanya Uniacke is Head of UK Sales Origination at moneycorp. With over 15 years experience in foreign exchange and international payments, Tanya brings a wealth of knowledge, with appearances in The Telegraph, The Guardian and regular webinars. Tanya also speaks fluent French, and has a BA in French & Politics.

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