

Three steps to successful international payments



Currency markets move by the minute and often more frequently in response to a number of economic and political events. With any international payment, the amount of money needed to send to and from a country changes with each of these market movements – often far more than you may expect. Currency markets can move dramatically in times of economic and political uncertainty, as we have seen recently in the UK and across the globe with Brexit and US-China trade tensions, along with a number of important economic changes taking place worldwide.

Step one: understanding currency market movements

Larger international money transfers, such as those for buying or renting an international property, transferring salaries or pensions between countries, even school fees and regular bills, are all connected to these fluid currency fluctuations. Knowing this and being able to manage it effectively is the first step to a successful currency strategy.

Step two: get your timing right

The next step is to get a currency specialist to keep an eye on how the markets are moving and how it could affect your specific overseas payments. Getting the right guidance as early as possible, particularly for larger money transfers, helps you protect against the risk of these currency market movements. There are a number of specialist currency services that can help you make the most of the markets as they move, while avoiding exchange rate risks.

Halo Financial undertook a study of exchange rate movements over six months in 2019, when there were numerous geopolitical factors making currency markets especially volatile. The difference is

striking in the example below, which shows actual exchange rates achieved by clients over that six-month period.

Volatile exchange rates can significantly impact on how much currency costs to buy or sell

CURRENCY 100,000 GBP	2 JAN 19	7 MAY 19	15 JULY 19	PEAK DIFFERENCE
EURO	€108,890	€116,790	€109,500	6.6%=€7,900
USD	\$125,400	\$130,720	\$122,000	6.7%=\$8,720
AUD	\$174,120	\$188,690	\$176,200	7.7%=\$14,570
NZD	\$186,000	\$199,000	\$184,000	7.5%=\$15,000

These are actual exchange rates achieved by Halo Financial clients on the specific dates, demonstrating the importance of timing and illustrating the impact of market volatility

Source: Halo Financial, July 2019

Step three: make the most of the markets

There are currency tools to help you make the markets work for you and provide certainty on the amount you send and receive internationally. There are currency tools called 'market' or 'automated' orders, which allow you to place an order into the market to automatically transact when your chosen currency pair reaches your desired exchange rate. You can also set a rate up to one year in advance for future payments overseas using another tool: a 'forward'.

Once you know how these currency services work, you can use a combination of different tools for different types of transfer, taking into account the speed of exchange rate changes and safeguarding your money from any surprises, while still making the most of any movements in your favour.



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