



Forward planning

WHY IT PAYS TO BUY AHEAD

House purchase is a big investment and when you buy a property in a foreign currency, taking advice from the financial experts can save you time *and* money ▶

Many of us still dream of buying a property in Italy. Buying a property overseas involves a big financial outlay, with foreign exchange being an aspect that is often overlooked. Planning ahead and talking to a foreign exchange expert such as World First Foreign Exchange and doing your homework on the different currency exchange arrangements, will pay off.

MAKING THE TRANSFER

Buying a property means you will have to transfer your pounds sterling into euros. How you go about completing your transfers could make a huge difference to the final cost of your property. Shifts in exchange rates are common and rates are constantly

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moving. Imagine entering into a contract to buy your dream property abroad and before you've paid for it the exchange rate shifts to go against you by 10 per cent effectively increasing the sterling cost to you by 10 per cent.

For example, last August a house on the market for €250,000 would have cost you £194,850. By the beginning of September that had gone up to £204,580, which is a sterling increase of £9,730 in just a matter of a few weeks. Quite a considerable sum to add to the costs of buying a new property.

CHOOSING YOUR OPTIONS

Elisabeth Dobson, a broker at World First Foreign Exchange warns, "Don't leave your foreign exchange transactions to the last minute. This could leave you exposed to the prevailing exchange rate and you may not have adequate funds to buy your property. With some of World First's products, you can protect yourself against negative exchange rate fluctuations."

One option is a *forward contract* which allows you to fix a rate for a date in the future (up to two years ahead). This means the rate and therefore the sterling cost of your property is fixed regardless of exchange rate fluctuations. A *currency option**, like a forward contract, allows you to exchange one currency for another on a future date. However, with an option you can fix a 'worse case rate' and unlike a forward contract, if the exchange rate moves in your favour you can benefit from it.

Elisabeth continues, "These structures are becoming more and more popular especially given the recent volatility and unpredictability of the currency markets worldwide. Forward financial planning will ensure your dream of a home in Italy becomes a reality." ■



Elisabeth Dobson is a foreign exchange broker at World First Foreign Exchange, the foreign currency experts. Contact them to discuss all your foreign currency requirements. For more information please contact World First Foreign Exchange on ☎ 0800 783 6022 (UK) or ☎ +44 207 801 9080 (outside UK) www.worldfirst.com

TOP TIPS TO PLAN AHEAD

Small shifts in foreign currency exchange rates are common and happen in short spaces of time. With the pound as volatile as it is against particularly the euro and the dollar at the moment, here is some more advice from World First Foreign Exchange that should help if you are currently in the process of, or are planning to buy a property in Italy.

➤ SET UP A EURO MORTGAGE

If you choose to finance your purchase through a euro mortgage, a broker will also be able to help you fix the exchange rate for your monthly repayments. You can fix your payments up to two years ahead. By fixing the exchange rate you know exactly what your monthly commitment will be in sterling terms. A broker can also introduce you to a number of international mortgage providers.

➤ DELAY YOUR COMPLETION DATE

By putting off the final date on the purchase it could allow sterling to recover, thus making the property more affordable.

➤ RE-NEGOTIATE THE PRICE

If the exchange rate will mean that the property will cost you more than you budgeted for, discuss the price with the property sellers.

➤ FIX A FIRM ORDER

Place a firm order to buy a set amount of currency at an agreed rate. If the level you set is achieved, the currency will be bought automatically. Therefore you don't have to worry about watching the rates constantly.

* World First is currently the only broker in the UK to provide currency options.

KEY CURRENCY PHRASES

FORWARD RATE The rate at which two currencies can be exchanged on a preset future date, e.g. sterling dollar exchange rate today for transfer in three months time.

FORWARD POINTS The difference between the spot rate and the forward rate.

FORWARD CONTRACT A contract to exchange a specific amount of one currency for another on a future date at a predetermined rate. A deposit is normally required for forward contracts.

HEDGE Protection against future currency movements.

SETTLEMENT DATE The date for the exchange of payments.

SPOT RATE: The foreign exchange rate at which two currencies can be exchanged in two days time.

SPOT TRANSACTION The exchange of one currency for another at a specified rate for settlement in two working days.