

# WHEN IS THE BEST TIME TO INVEST OFFSHORE?

One of the most common questions financial advisers get from clients is: “When is the best time to invest offshore?”

It is a loaded question because advisers are often faced with the conundrum of trying to manage clients’ behavioral biases while sticking to a specific investment goal or journey. When looking at the current exchange rate, one can argue that now may not be the best time to invest offshore. The currency is probably at its weakest since the height of the Covid pandemic. Investors are anxious whether the US will go into a full-blown recession and locally there aren’t too many good things to support our currency.



Eugene Taljaard, regional manager at Momentum Investments

Waiting for the best time to invest offshore is sometimes just a different way of saying that you are trying to time the currency. It is important for investors to realise that the currency being at the perceived “best” level is never reason enough to invest offshore. Investing is personal and clients would be far better off articulating their needs and objectives to a qualified financial adviser and putting the right asset allocation in place to meet that needs and achieve the objectives. Where that need includes offshore exposure, the focus should then be on the most feasible way to implement the plan given the clients circumstances.

Only focusing on the rand exchange rate can often lead to a case of nothing ventured nothing gained there will always be reason to wait a little longer. There will be periods where the currency is undervalued and likewise periods where its overvalued. Research, however, suggests that making the right call on the exchange rate does not make a substantial difference to the outcome when investing offshore over the long term. Clients are therefore better off focusing on getting the right asset allocation in place along with a suitable product or structure that can make a meaningful difference to their outcome. But that’s where the behavioral aspect comes in – clients are often reluctant to put a plan in place because of noise in the market, whether it be market related or currency related.

Luckily there are a few tools to mitigate risks, especially where clients have sizeable assets they want to move into a different currency. Investment platforms and authorized forex dealers have a number of risk-mitigating tools that can help advisers manage clients’ expectations and behaviors. The Momentum Wealth International platform, for example, allows investors to phase in their investment over a period of time thereby limiting their exposure to the market and providing them with a gradual transition into the assets they need. Forex providers similarly offer trading tools that allow trades to execute when a specific level of the exchange rate is available or, in some cases, derivate instruments like forward contracts that allow clients to ‘lock in’ an exchange rate to trade in the future.

**"The exchange rate is just one of the considerations to look at when investing offshore but it should never be the sole reason to invest offshore.."**

The exchange rate is just one of the considerations to look at when investing offshore but it should never be the sole reason to invest offshore. Things like where the investment will be held, what type of product or structure will be used and how this will influence the client's tax situation both during their life and at death are far better elements to spend time on getting right. Those are typically the elements advisers and their clients should focus on – those that are in their control – and not the currency nor the market. For more information on investing offshore, visit Global Matters on our website at [momentum.co.za](https://momentum.co.za).

Momentum Wealth International Limited (FSP 13495) is an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act No 37 of 2002 in South Africa. Any information in this editorial is not intended nor does it constitute financial, tax, legal, investment, or other advice. Nothing contained in this editorial constitutes a solicitation, recommendation, endorsement or offer by Momentum Wealth International Limited. Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider (FSP 6406).