



How to Manage a Multi-Currency Lifestyle

Multicurrency strategies are part of the everyday life of most dual citizens. For example, if you're an American *oleh*, you might worry that a weakening dollar will mean you will have less money to make shekel purchases in Israel.

The following three areas make currency volatility a challenge for cross-border investors:

--->Currency trading

Two-thirds of retail foreign exchange traders lose money. In this \$4 trillion market, high volatility and leverage mean gains and losses can mount very quickly. Most Americans in Israel, though, don't "trade" currencies. Instead, they just buy shekels when they need spending money in Israel.

For traders, risk management is the key to preventing losses: Keep your trades small, set a limit on your positions and trade timing, and watch out that you're not becoming part of the herd. For most people, though, it's probably best to just stay away from this kind of trading completely.

--->Exchanging money

Money changers operate in one of two ways:

***Cash on the spot – You bring in the cash and it is immediately exchanged. This is pretty low risk.

***Money to bank account – You give the moneychanger your money and he will wire the new currency into your bank account – the next day or week. You will be exposed to default risk.

When working with moneychangers, ensure they are licensed, keep your money in a segregated account, and charge fees commensurate with market rates. Some people only convert money in banks to minimize the risk of the funds not arriving in their accounts while others are happy to work with reputable money changing companies, which may charge lower fees.

---> Multicurrency bank accounts

Banks provide the most secure currency transactions through multicurrency bank accounts, though they are often a more expensive option. While many folks try to time currency conversion for times when they get a "good" exchange rate, I advise clients to ignore, as much as possible, small variations in rates, and instead leave themselves plenty of time for the exchange to settle before they actually need access to the cash.

For more on multicurrency management strategies for dual citizens, watch this video: profile-financial.com/multicurrency

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