

6 Things to consider before investing abroad

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When it comes to making investments, you have a lot of different options. You can keep your money within the United States markets, although the potential for faster and larger returns may not be what you hope for. If you are willing to consider investing abroad, consider these tips before getting started.

Differences between US and Foreign Markets

One option for investing abroad is to invest in companies overseas. However, the requirements in other countries are not the same as those who fall under the restrictions of the U.S. Securities and Exchange Commission.

As a result, some companies won't provide as much information to their stockholders or will take longer to generate data for analysis. Additionally, the stock markets may operate differently or not move as fast as the American markets. If you feel comfortable with these differences and can be patient, investing abroad is a good option for you.

Major risks of investing abroad

Another risk to consider before [investing abroad](#) is that the exchange rates between currencies are constantly changing. Any instability within a country, whether due to political or economic reasons, can also cause your investments to decrease dramatically in just a matter of days. Leaders of countries often maintain relationships that can benefit investors, but if these relationships change, it may cause your investment value to go down as well. Some companies may also limit the financial information available online, which can cause frustration for investors who want to learn more about the current values.

Keeping a diverse portfolio

If you do choose to invest abroad, there are potentially profitable options open to you; a lot of large companies in valuable industries solely conduct their business overseas. Some of these industries include electronics, metal and mining, automotive, and telecommunications. Between 60 and 80 percent of the largest companies within these industries are outside the United States. Therefore, if you want to make an investment in these companies, you will have to include investments abroad within your portfolio. Since these industries are all so different, you also have more options to diversify your investments.

Receiving Returns



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When you invest in companies that do business abroad, you will typically conduct transactions in the country's currency,

so be sure you understand the exchange rates before you start. When the company pays out to their investors, they will also pay in their own currency so you will need to have a global bank account. Another aspect of investing abroad is getting money to the company, which will mean you need to [send money online](#). As long as you use a source that is reputable and secure, you can feel confident in conducting money transfers and receiving payments.

Perform some research

Before you start [investing abroad](#), you should understand the daily fluctuations that can occur in international markets. You may want to discuss options with a financial planner or investor with experience in international investments, who will typically have a better understanding of how these fluctuations could affect your overall return and whether you want to take on the risk. The economy in the U.S. can also fluctuate, but it is often different from the fluctuations that occur in international markets.

Faster economic growth

Following World War II, most [investors](#) chose to keep their money within the American economy because of its stability in comparison with the economies in other countries. In the past decade, the growth rate of the economy in the U.S. has been moving much slower. Instead of waiting around for the growth rate in the U.S. to increase, you can take advantage of the faster rates of growth in China and other strong economic countries. By comparison, China's GDP increased by seven percent in 2013, while the U.S. GDP only rose by two percent in the same year.

When you invest abroad, you can drastically increase your options to earn high returns and invest in companies that don't conduct business within the U.S. While the risks are often different from those you undertake when investing domestically, it is often worth the risk when you feel like you can't achieve your financial goals with the options available in the U.S.

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