

moneycorp 

Buying a Property Abroad: The Ultimate Guide to Foreign Exchange

Understanding the currency market
Protecting your budget
Why you should use a currency specialist



Welcome

Buying a property abroad is a life-changing experience and can seem daunting in more than a few ways. At Moneycorp, we'll help you along the way and work with you to take the stress out of the process.

We're here for anyone purchasing a property abroad for the first time or for those looking to expand their foreign real estate portfolio. It is free to open a Moneycorp account, and there is no obligation to use it. We can help you at any stage of the process - it's never too early or too late to get in touch.

So, whether you're buying a holiday home on the beach, an apartment in the city, or a château in the country, you can count on a competitive rate and first-class service from Moneycorp.

In this guide, we'll help to get you familiar with the currency markets, how volatility can affect your budget, and the different tools you can use to protect yourself.

And when you're ready, we can help you start planning and give you a better understanding of what exchanging money means for your budget - before you even step on the plane to see your first property.

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“We look forward to being part of your journey to buying a property abroad”

Mar Bonnin Palmer, Head of Partnerships, Moneycorp UK

Getting to grips with the currency market



Exchange rates are constantly fluctuating. This means that when you decide to buy a property abroad, the real-terms cost of your purchase can change with the rates. Imagine getting to the point of buying your dream property, and the price is different from when you made the offer. That's the reality of the foreign exchange market – small changes make BIG differences when you exchange a large amount of money.

And with so many things affecting the currency market, it's impossible to predict how the market will move. This leaves you in an uncomfortable position taking on a 50/50 risk that the rate will move against you.

That's why it's essential to plan ahead and secure a reliable, experienced foreign exchange service to exchange your money at the beginning of the process – so you don't get any nasty surprises.



Buying your currency

If you've not made any big purchases abroad before, it's likely that you've bought your foreign currency at the airport, in cash from the bank or post office before you go, or by using your credit or debit card to withdraw cash or just use it abroad.

Even with these much smaller transactions, you've probably noticed the fees.

And when you start talking about much larger sums of money – like when you're buying a property abroad - things are a bit more complicated.

The two most common ways people use to transfer large amounts of money are:



The bank



A foreign exchange specialist



What's the difference?

	High Street Banks	Foreign Exchange Specialists
Fees	Often charge up to £30 per transaction	No fees on transactions
Rates	Bound by their own rates	Source the most competitive rate from a panel of liquidity providers
Products	Basic currency exchange that's often limited to spot contracts	Specialist currency exchange and a range of products to help you protect yourself from risk and optimise your budget
Customer Service	Generic customer service with no foreign exchange guidance	Dedicated account manager to guide you through your options throughout the process
Expertise	Generic banking knowledge	Qualified foreign exchange professionals



How the market moves

The currency market trades 24 hours a day, for five and a half days a week. During this time, currencies move up and down in value against each other. The values change over the years, but you can also see significant fluctuations over the course of a week or a month or even a day! This is because currency traders buy and sell large amounts of currency in response to political and economic news.

As a rule of thumb, positive news about a country will affect its currency positively, and negative news will affect it negatively. With that in mind, it's helpful to get familiar with the currency you're looking to buy or sell.

Often we can predict when they might move – especially if there is something big like a general election coming up. But what's important to remember is that we can never know whether they will move up or down or by how much.

Let us help you get started:

- ✔ **Get familiar with the currency**
Look at what's changed over the last 12 months and get comfortable with the idea of spending in the currency.
- ✔ **Get in touch with a foreign exchange specialist**
Our team has a constant eye on the market and its fluctuations and can give you an idea of good and bad rates in the current climate. We regularly help our clients with property purchases, so we are well-positioned to give you guidance on what to expect and the things to look out for during the process.
- ✔ **Define your budget and account for fluctuations in rates** – We can help you understand how all of these factors might impact your budget. We'll look at the difference between exchanging when the rate is in your favour vs. when it isn't and come up with a range that your budget can tolerate.

Top Tip

Find your 'comfortable range'. Once you've got familiar with the exchange rate, choose an aspirational rate and the rate you can't afford to fall below. This will help you to define a good rate for you and feel more confident when you go to exchange.

Interesting Fact

If the US were to fall into a recession, the risk of a worldwide recession could drive the dollar higher. This is because investors tend to flock to relative 'safe-haven' currencies at times of global uncertainty.



What to do once you've found your dream home away from home

Things are getting exciting, and you're ready to make an offer. You can almost picture yourself admiring the sunset with a glass of rosé, and you're already thinking colour palettes, interior design, and whether you can fit in a pool table.

This is the first point at which you will need to know the exact exchange of your property price in your home currency.

Top Tip Make a note of the exchange rate when you make an offer. This will give you a benchmark to help you make decisions later on.



The next steps

Purchase Contract

There will usually be a variation on a purchase contract. This is a legally binding commitment to buy the property, although sometimes there is a ten-day cooling-off period.

Deposit

The deposit is your first payment and will usually require at least a 5-10% payment wherever you are buying your property.

Completion

This can take 2-3 months, depending on the country you are purchasing in. At this point, you'll also pay any outstanding taxes and fees associated with the purchase.

Top Tip

Have a look at the market, and compare the rate when you pay your deposit to when you made your offer. At this point, you can:

- ✔ Fix the rate for the total price ahead of completion, effectively removing the risk
- ✔ If the rate has improved, use a forward contract to help you to maximise your budget
- ✔ Try to target a better rate through a market order

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Buying Off-Plan

In some countries, there is the option to buy off-plan (before the property has been built). In cases like these, you will probably need to pay for the property in instalments. Depending on whether you are purchasing an apartment or a house, the payment percentages due at each stage will vary. Here is a guide to how your instalments might work:

- ✔ Foundation (Apartment - 35% | House - 20%)
- ✔ Superstructure (Apartment - 35% | House - 25%)
- ✔ Final completion (Apartment - 25% | House - 40%)
- ✔ Handover (Apartment - 5% | House - 15%)

Top Tip

Finalising an off-plan purchase can take up to two years. This means that the risk is higher when it comes to exchanging your money. You can help manage that risk by using a forward contract and fixing your preferred rate for up to two years.

Protecting your budget

With 2-3 months between your deposit and when your final payment is due, this time can be unsettling for buyers because exchange rates can fluctuate significantly.

Fluctuations in the exchange rate are rather like the weather – especially in the UK! You may have a rough idea of what's to come, but you can't control it, and anything could happen in the space of a few hours. Like the weather, however, you can plan for all eventualities.

That doesn't mean the equivalent of packing your umbrella and some sun cream every time you go outside, but it does mean weighing up your alternatives and your preferences to make the right decision depending on your requirements, budget, and your attitude to risk.

Forward Contracts

A forward contract allows you to fix the rate of exchange for up to two years. This can give you certainty over your budget.

Forward contracts are an agreement between two parties to exchange two designated currencies at a specific rate for delivery or payment in the future. These are very popular among property buyers as it allows buyers to fix the exchange rate as soon as the purchase is agreed on, so the property's price is not affected during those months between deposit and completion. It is also used to take advantage of a favourable rate movement that could allow the buyer to maximise the initial budget.

Fixing the rate means that you can develop a clear budget plan and be certain that any required payments can be made in full and will be affordable within your budget.



What could happen if you don't fix the rate?

Let's say you had an offer accepted for a €250,000 property in France in July 2022. In early August, you pay your 5% deposit - at the time, the rate was almost at its highest for the year at 1.20 euros to the pound.

You pay 5% of the property price of €250,000 = €12,500
At the current exchange rate, this is £10,416

The purchase moves quickly, and in September, you're almost ready to complete. The rate has been decreasing, but you've got some wiggle room in your budget, so you press ahead with the purchase.

Then, at the end of the month, the UK is plunged into political and economic uncertainty, and the rate drops to 1.0843. You can't wait around; you have to complete the purchase of your new holiday home.

The outstanding amount due for your property is €237,000.
At the current exchange rate, you still need to pay £218,574
But if you had fixed your exchange rate in August, you would only need to pay £197,500

The exchange rate fluctuated even more than that in 2022. Here's an example of how much a forward contract could have saved you.

Did you know?

In 2022, the GBP/EUR rate fluctuated between 1.2188 and 1.0843.

To put this in perspective, the difference in price at these rates on a €250,000 property would be more than £25,000.



Other currency exchange options

Spot Contract

This is the simplest contract. The price is quoted and booked for immediate delivery. Buyers will often use this method when they need to make a one-off smaller payment or their timeframe is limited to make the payment. Your deposit – for example.

Market orders

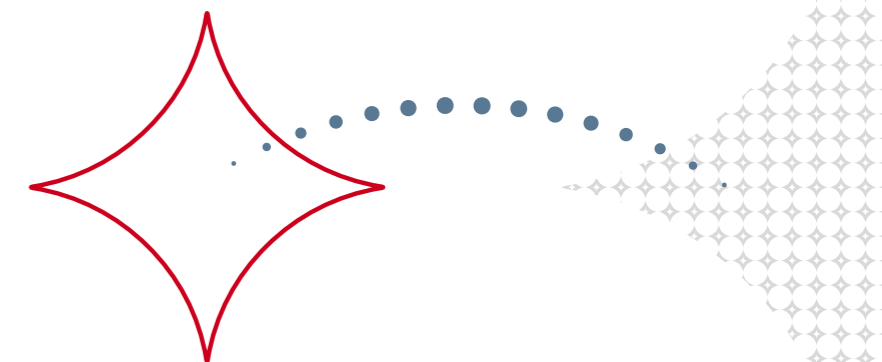
These allow you to set up a target rate at which you are willing to complete the transaction, whether it be a buy or sell. It is a good tool for those buyers who are optimistic that the exchange rate might improve.

Stop loss orders

They allow you to protect your transaction from going below a specific rate. This tool could be handy for property buyers who have calculated their price considering a range below which the purchase price might become unaffordable or too costly.

Regular Payment Plans

These allow you to set up a direct debit and even fix the rate on frequent small payments for a period of up to two years. These are great for mortgage payments or even if you're anticipating making regular maintenance or redecorating payments.



Making the most of your money once you've made the move

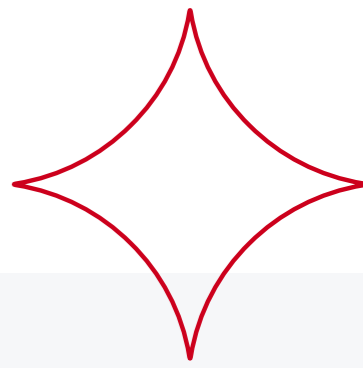


The dream has become a reality! You now hold the keys to your new lifestyle, but the foreign exchange doesn't stop there. There are still things to consider even when you've completed your purchase, and Moneycorp can continue to give you support on your foreign exchange requirements.

Even if you're settled in a new country, you may still have a property in the UK that needs some maintenance. If you're renting out a property, from holiday lets to longer-term rentals back in the UK, you'll have both income and costs in different currencies. From maintenance work, agency fees, and local taxes to unexpected breakages or simple wear and tear, you could make many payments over the course of a year.

Another major factor to consider - whether you're living in your new permanently or as a holiday home - is exchanging money to live on.

Whether your ongoing costs are small or large, your account manager will be able to give you guidance on your options, help you manage the risk when you're moving money, and automate payments when you need to.



Here are some of the ongoing payments you might need to consider:

Running costs

There are likely to be some ongoing maintenance expenses, from utility bills to local taxes or management fees.

Renovations

Renovation can get expensive, so it's important to take into account when and how you exchange those funds.

Mortgage payments

We can offer guidance on how to manage this long-term by helping you fix the rate and set up automated payments.

Thinking about letting your home out as a holiday home

If you plan to let out your property, you will most likely need to pay management fees to the estate agents. You might also need support bringing your rental income back to the UK.

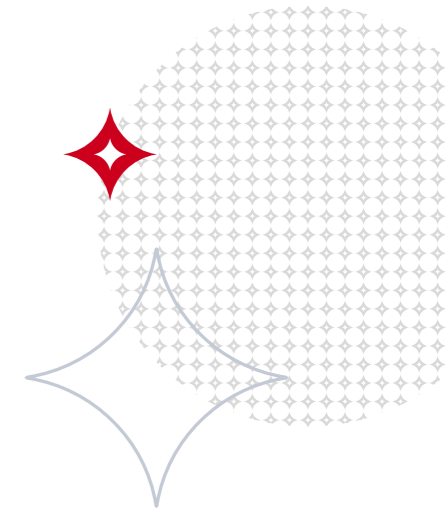
Thinking about moving permanently to France

Perhaps you have decided to retire abroad, but your pension is still being paid into your UK account. We can help you exchange this monthly in a cost-effective way.

And, if you're thinking of becoming an EU resident, **don't worry**; Moneycorp is fully licensed to operate in Europe, and you can still use our service to transfer your money.



Why should you use a currency specialist?



- ✓ Competitive exchange rates
- ✓ Specialist products and services
- ✓ Dedicated account manager
- ✓ No transfer fees
- ✓ Wide range of countries and currencies
- ✓ Experts in the field
- ✓ Available online AND on the phone

Why Moneycorp?



Expert guidance

Your dedicated account manager will design a bespoke solution aligned with your requirements, risk appetite, and investment objectives.



Safe and secure

Segregated and safeguarded client accounts regulated by the FCA



Cost-effective

Competitive exchange rates sourced through our panel of 18 liquidity providers and no transfer fees

How to **get started**

You can start your journey with Moneycorp in four easy steps:



Sign up.

Sign up for a Moneycorp personal account: it's free, quick, and easy, and we'll set you up with a dedicated account manager.



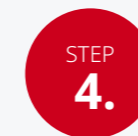
Discuss your requirements with your account manager.

Your dedicated account manager will discuss your options with you and give you guidance to help you make a robust plan for your payments.



Arrange a transfer.

Tell us who to pay, which currency you need, and how much to send.



Make a payment.

Moneycorp will exchange and deliver it safely, and on time.

You'll need a few personal details to set up a transfer, including your name and account number, the name and account number for your beneficiary, an IBAN or BIC/SWIFT Number, and details of the banks in each country. You will also need to state your reason for trading.

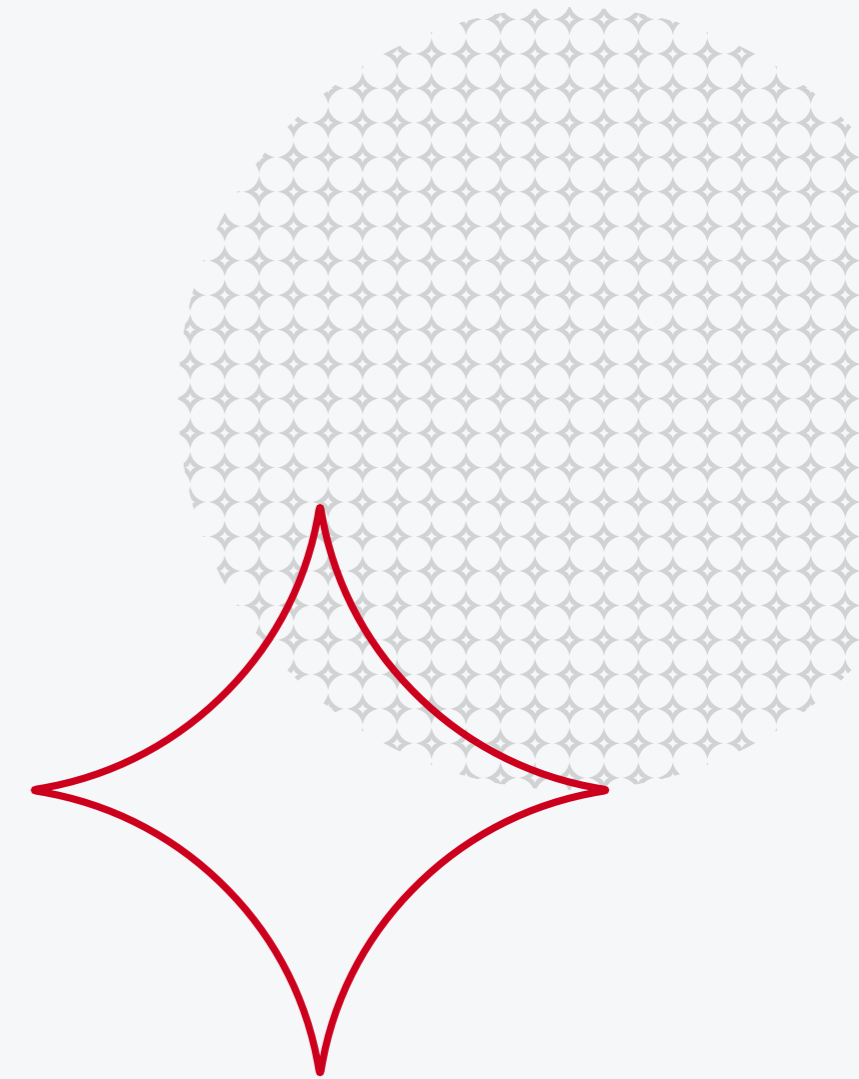
Who are we?

For the last four decades, Moneycorp has led the way in foreign exchange, helping countless people and businesses to make safe, secure, and cost-effective cross-border payments.

Moneycorp is uniquely able to strip away the complexity and cost of international banking by combining cutting-edge payment technology and first-class customer service into one 360 ecosystem.

Its expert team of dedicated foreign exchange managers will talk you through the specialist products and tools you can use to ensure your money goes further, helping you navigate the fast-moving currency markets with confidence. There are no online transfer fees, and Moneycorp will get your money to where it needs to be quickly and securely.

It is licenced and regulated across multiple key jurisdictions and offers over 90 currencies across 190 countries, partnering with some of the world's largest banks to give our clients access to comprehensive coverage and the most competitive rates.



**Get in touch today to see how
Moneycorp can help you.**

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