

A GUIDE TO SENDING MONEY ABROAD

HARGREAVES
LANSDOWN



IMPORTANT INFORMATION

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INTRODUCTION



COLIN DEWAR

HL Currency Service

Thank you for requesting our Guide to Sending Money Abroad. We hope you find the information useful and that it helps you to make quicker, easier and cheaper international payments in the future.

Sending money to and from the UK has become increasingly common for many of us. Whether you're sending money to a friend in France, or buying a property in Portugal, the need to send money across borders is forever growing.

Traditionally people have used their bank to convert currency and send payments overseas. But those who have shopped around have found much better exchange rates and lower fees by transferring money with a currency specialist, such as the HL Currency Service. Even a small change in the exchange rate offered by your provider can make a big difference to the cost, especially if you're doing multiple payments or sending large amounts.

In addition to savings, currency specialists can offer some services that aren't available through banks. This might include the option to fix an exchange rate for the future, or ways to ensure you don't miss out on improving rates.

By reading this guide you'll get an understanding of:

- How exchange rates are calculated and what makes them move
- The different types of currency conversion
- 5 golden rules of making international payments



USD

0.8142



GBP

0.5117



EUR

0.6527



NZD

1.0623



JPY

93.1470

93.1470



HKD

6.2228

6.2228

HOW EXCHANGE RATES ARE CALCULATED

INTERBANK RATE

This is the headline rate that you will often see quoted in the news. It is the exchange rate at which banks and large financial institutions buy and sell to each other, but it's not always available to individuals.

Foreign exchange providers will often say they charge 'no transfer fees' on currency transactions. Instead all banks and most currency specialists make their profit in the form of a 'spread' between the buy and sell rate. This will be reflected in the exchange rate you receive, which will be less favourable than the interbank rate, but more competitive than you could typically achieve with a bank..

THE EXCHANGE RATE YOU'LL RECEIVE WILL DEPEND ON THREE MAIN FACTORS:

1. The current market rate

Exchange rates are moving all the time and the rate you achieve will depend on the live exchange rate at the point of confirming your transfer.

2. The amount you are transferring

The volume of currency you're transferring can have an impact on the exchange rate you'll receive.

3. When you need the currency

The rates will be different depending on whether you need the currency immediately or if you want to fix the exchange rate for a date in the future



WHAT AFFECTS EXCHANGE RATES?

There are many political and economic reasons behind movements in the currency markets and it's difficult to predict what will happen in the future. The key point to remember is you are comparing the relative value and attractiveness of one country's currency to another. So you need to look at the factors affecting both countries in order to appreciate why the markets have moved.

Here are three factors we think are important influences on exchange rates.

Interest rates

When a country raises its interest rates relative to another nation, this often increases demand for, and strengthens, a currency.

For example, the current interest rates in the UK and Australia are 5.25% and 4.35% respectively (June 2024). If, Australia unexpectedly increased its interest rate to 5.5% and UK interest rates remained the same, you would expect demand for the Australian dollar to increase. This would raise its value in turn. This example is based on all other factors being equal.

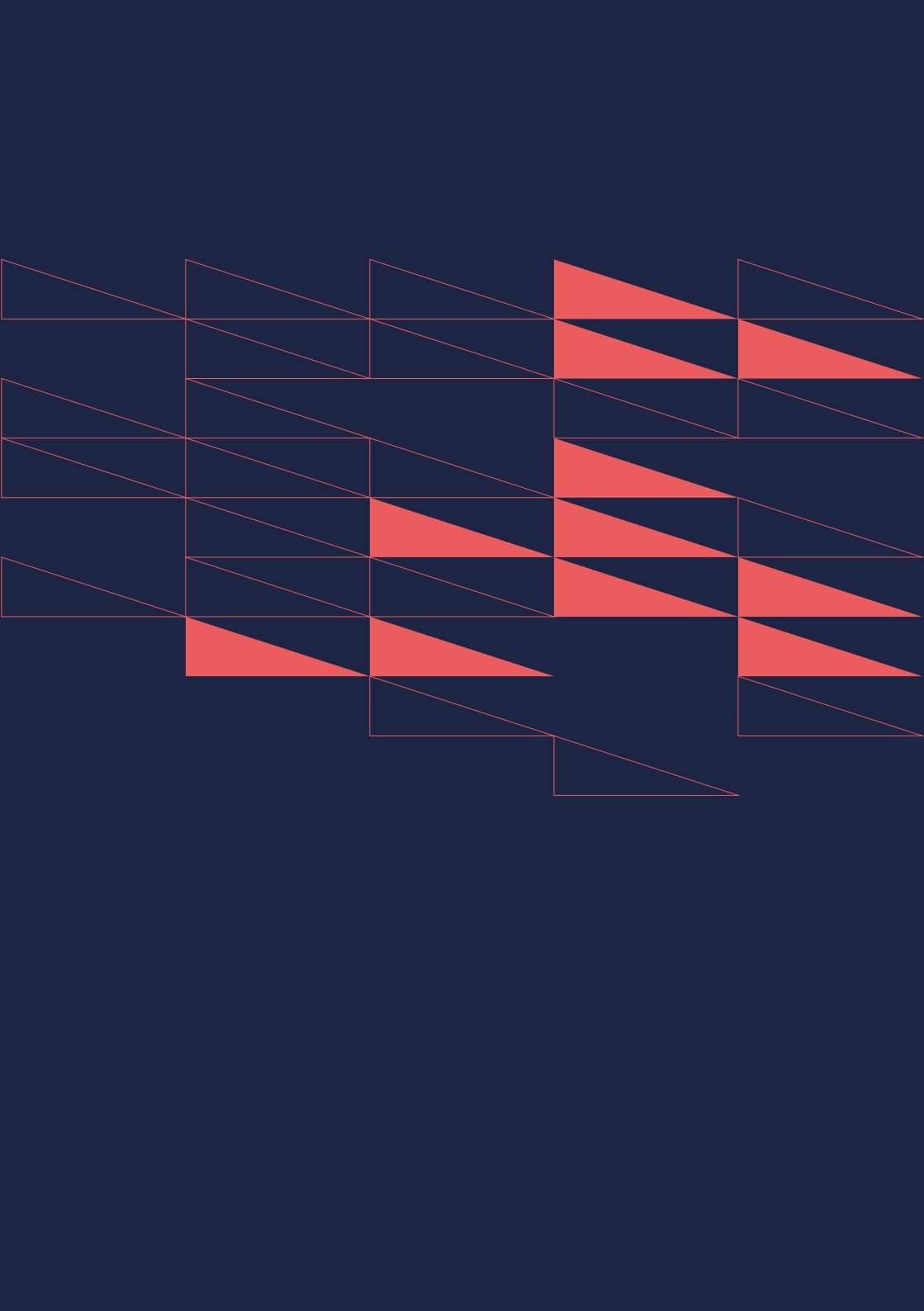
Inflation

Low but rising inflation in a strong economy is often regarded as a positive signal for a country's currency, as it could prompt the central bank to lift interest rates. On the other hand, high inflation when not supported by economic growth is traditionally seen as a negative signal for a country's currency.

Economic growth

Investors will usually want to put their money into countries with strong economies. So for example, if growth prospects in the US are considered better than in the euro zone, you'd expect greater demand for the US dollar compared to the euro. This should lead to a relative strengthening of the US dollar.

It's important that you keep an eye on some of the key economic indications, such as Gross Domestic Product (GDP) and unemployment rates.



TRANSFER SERVICES - WHICH IS BEST FOR YOU?

There are many different methods of converting and sending money overseas, and the best one for you will depend on your situation. To avoid paying over the odds, you should plan your payment in advance rather than leaving it until the last minute. This will give you more options to consider.

You should ask yourself:

- 1. When will I need the currency?**
- 2. How many payments will I need to make?**
- 3. How could exchange rate fluctuations affect me?**

QUICK AND EASY CONVERSIONS

Sometimes you might need your currency straightaway. In this situation a spot contract will be the quickest option. With a spot contract, your currency is converted immediately and normally transferred on the same day*. In some instances it could arrive on the same day.

*Subject to normal banking cut off times. Transfer times can vary depending on the currencies and destinations involved, the time the transfer was initiated and the processing time of the receiving bank.

REDUCE YOUR RISK BY FIXING THE EXCHANGE RATE

Some currency specialists can fix an exchange rate for up to one year ahead. This is known as a forward contract and is especially useful if you know you'll need currency in the future but have a budget to stick to; for example if you're buying your dream property abroad in a few months' time.

Fixing the rate means you would be protected if the exchange rate declined, but you'd miss out if the rate strengthened.

For many people it's not about whether they are better off or not. It's about the security of knowing what a future payment will cost, regardless of what happens with rates.

You would typically be asked to pay a small deposit at the time you decide to fix the exchange rate which will go towards paying the final amount.

TARGET A SPECIFIC RATE

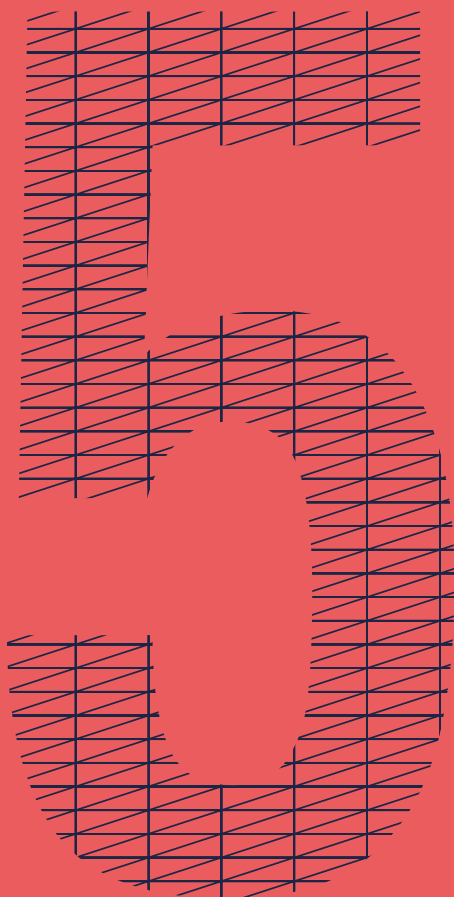
If you're looking to exchange at a particular rate Hargreaves Lansdown currency service can help. You can set up a simple rate alert, where your provider will watch the markets on your behalf and contact you when a rate is available. Alternatively you could consider a limit order, where your currency is automatically purchased when your target exchange rate is available.

Both of these services could help you make the most of improving exchange rates and mean that you don't have to keep a constant eye on the markets. However they only trigger when the rate is available and do not offer shelter if the market moves away from you.

MONTHLY TRANSFERS

Sometimes you might need to send money abroad more regularly. Perhaps you have an overseas mortgage, for example. In these instances you can automate your regular transfers, benefiting from low-cost, hassle-free monthly or quarterly overseas payments. Your payment is usually collected by debit card or Direct Debit each month which could save you a lot of time.





GOLDEN RULES OF MAKING INTERNATIONAL PAYMENTS

The prospect of sending money abroad can sometimes feel a little daunting. So we've provided five golden rules which will help you make the most of your money and, most importantly, keep it safe.

1

Get the best exchange rate
Banks vs currency specialists

Who you choose to make your international payment is an important decision. Traditionally, many people have used their bank. But those who have shopped around have often found much better deals with a currency specialist, such as the HL Currency Service.

Firstly, currency specialists tend to offer better exchange rates. If you're sending large amounts overseas, even the slightest improvement in the exchange rate offered by your provider could save you hundreds, possibly thousands.

The table below highlights some of the main differences between using a bank and The HL Currency Service:

	BANK	HL CURRENCY SERVICE
Maximum transfer value	No maximum	No maximum
Transfer fee	£0 – £15	£0
Expert insights	Limited	Personal Account Management
Research	Limited	Regular alerts, weekly reports, special currency reports
Forward (fix the rate)	✗	✓
Regular monthly transfers	Some	✓
Limit orders	✗	✓

HOW MUCH FURTHER COULD YOUR MONEY GO?

To make sure you get a great exchange rate, we check our exchange rates against high street banks every month. These quotes were obtained from nine high street banks on 3rd June 2024 for a transfer of £10,000 to euros.

Currency markets move constantly, so the rate you'll receive will be different from this example. For a personal quote just call our friendly team on 0207 847 9250.

	Hargreaves Lansdown	Average high street bank
Interbank rate	1.1744	1.1744
Less margin applied by provider	1.35% (£135)	2.94% (£294)
Exchange rate offered	1.1585	1.1399
Transfer fee	£0	£0
Total received	€11,585	€11,399

Total saving using HL: €186

The more money you're transferring, the higher the potential savings.

Interbank rate

The interbank rate is the rate that banks and large institutions buy and sell to each other and is the rate you'd see quoted in the news. Ours is taken from Proquote.

Less margin applied by provider

Most providers make money by adjusting the interbank rate, applying a margin. This is why the exchange rate offered is less than the interbank rate.

2 Don't overpay on fees

As well as exchange rates, any transfer fees charged by your provider will affect the cost of your payment. These fees can be up to £25 for each payment through a bank, and don't change even if you're sending large amounts.

So if you're making a payment each month for an overseas mortgage, this could cost you up to £300 a year in fees alone.

The HL Currency Service doesn't charge transfer fees.

3 How secure are my payments?

While it's clearly important to get the best rate possible, you'll want to make sure your money is secure, especially when transferring large amounts abroad.

It's important to understand how your chosen currency provider is regulated. Currency firms can be either authorised or registered. Authorised firms are required to ring fence client funds, keeping them separate from company funds. They are also subject to a greater degree of regulatory scrutiny.

You can check a list of authorised and registered firms on the Financial Conduct Authority's website

www.fca.org.uk/register

4 Don't leave it to the last minute – set up an account well in advance

We're all prone to leaving things until the eleventh hour. The longer you have to arrange your currency transfer, the more flexibility you have to get the best deal possible.

If you leave your conversion to the last minute, you'll be at the mercy of the exchange rates at that time. But if you plan in advance you have options to fix an exchange rate, or take advantage of rising rates. These could mean you get a better rate than leaving it until the last minute.

5 Stay up to date

Exchange rates are always moving, and the rate you secure can make a big difference to how much you receive so it's important to stay up to date with the latest currency movements. The HL Currency Service team will keep you up to date with how exchange rates are performing, giving you the tools and insights you need to move your money at the right time.

You can sign up online for regular currency reports from the HL Currency Service once you've opened an account.

HL CURRENCY SERVICE

Make simple, swift currency transfers with the HL Currency Service.

Transfer 40+ currencies to more than 120 countries through our state-of-the-art online platform or over the phone with your personal currency expert.

Just call us on **0207 847 9250** or visit **www.hl.co.uk/currency**

You'll benefit from great exchange rates and no transfer fees for things such as:

- Sending money to friends and family abroad
- Buying and selling your dream overseas property
- Emigrating abroad or returning to the UK
- Paying an overseas mortgage
- Bringing money back to the UK





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