Making international investments while on assignment

By its very nature, investing as an expatriate has added complexity because it involves more than one tax regime and potentially more than one currency. This can be intimidating and can prevent expatriates from maximizing their investment opportunities while on assignment. Expatriates have just as much of an incentive to grow their wealth as domestic workers do and they should not allow the complexities of international investing act as a deterrent.

Three principles of international investing

1. **Diversification.** Some expatriates may be tempted to simplify their portfolio by consolidating accounts (especially if investing on assignment is more complicated than investing at home, because their accounts are spread among different jurisdictions). However, by moving all accounts into a single country, that could lead an expatriate to significant risk – especially for investments in a developing country or a country with an unstable economy. Diversification allows expatriates to protect themselves against currency fluctuations by investing across many currencies or in global funds. Expatriates should also consider diversification against economic risk and across various industries and sectors.
2. **Flexibility.** Expatriates need to be able to access and transfer their funds between countries. In many cases, they will have a home account for covering financial commitments in their home country and a local bank account for covering day-to-day expenses. Funds in local bank accounts can be difficult to move and access. One option is to open an offshore account for savings, investments and wealth management, as funds are geographically portable and manageable no matter where they live and work.
3. **Risk tolerance.** An expatriate's investment portfolio should reflect their level of risk tolerance. When investing in countries outside of North America and parts of developed Europe, it is important to know that many markets are speculative, and this should be factored into an expatriate's risk tolerance or profile.

So how can these principles be applied to your investments?

International tax law

Even for the most experienced expatriates it is strongly advised to seek the counsel of a Chartered Accountant (CA) that is comfortable with cross border taxation. April's newsletter highlighted some of the pitfalls faced by expatriates filing their income tax, and the tax on your investments is no more straightforward. It can depend on your residency status and the tax treaty in place between your home and host countries. Although tax treaties are enforced to prevent double taxation, perusing the fine print to determine the exact legality of the relevant treaty is an arduous exercise best left to your tax consultant. In addition to double taxation, expatriates can find themselves owing unexpected tax if they have not been filing correctly with their home country. Receiving accurate information from a tax expert will help you avoid getting ensnared in a tax-trap between two countries, and ensure that you pay nothing more than the taxes you owe on your investments.

Keeping current with currency

The worst-case-scenario of increasing your wealth in a foreign currency and that currency suddenly losing its value has probably come across the minds of most expatriates. If you open an investment account in your host country, make sure you know which currency the account is trading in. Talk to a qualified and regulated independent financial advisor before making any decisions to switch currencies or funds between accounts. Regardless if the host currency goes up or down, your Employee Assistance Program (EAP) offers you investment assistance through your Financial Support program. Having a diversified portfolio can also help mitigate the risk of currency fluctuations.

Offshore and international banking

It can be difficult to open an investing account in your host country, and sometimes your home brokerage will not allow you to keep an account open while you are on assignment. For this reason, most worldwide banks offer some form of online direct investing that is based offshore. Although offshore banking is often synonymous with unlawful tax havens, these institutions are fully compliant with the international regulatory bodies and provide lawful professional services to expatriates. The main advantage of these services is convenience: they allow you to conduct your investing online, and by being based offshore, you do not need to close the account as you move from one country to another.

Expatriates can also make use of international banks, which have representation in both the expatriate's home country and country of work, or affiliation with other international banks in the country of work. International banks provide foreign clients with a range of financial services, such as opening accounts and lending opportunities. Each bank has different policies for establishing accounts and working with clients, as some will only work with companies or high-net-worth individuals.

It is more than possible to make successful investments while on assignment. One just needs to be mindful of the challenges of tax and currency. By following the principles of diversification, flexibility and risk tolerance, you can avoid the pitfalls of international investing and return home with increased assets.

If you have any questions about this topic, or if you wish to discuss a personal situation you may be experiencing, we invite you to contact your EAP. Contact details can be found on your EAP brochure or you can call your local operator and request to place a collect call to Canada at 905-886-3605. You will be put in touch with our Care Access Centre who will arrange for help closer to home.

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