

Taking the foreign out of foreign exchange

Purchasing a property in Arizona is a big decision and foreign currency exchange is generally an afterthought. The two currency issues you should plan for when purchasing a property in Arizona is obtaining the best currency exchange rate and obtaining cost certainty on your purchase from the decision to buy until closing.

Obtaining the best currency exchange rate

We all know that banks charge high currency exchange margins when buying US dollars, up to 2.5%, hidden within the exchange rate that you see. On a US\$100,000 property purchase, your bank may take up to C\$2,500 more than you need to give them in currency exchange margin to obtain those US dollars for your purchase. Banks have a monopoly on the market and most people don't know of alternatives.

Utilizing a specialist foreign exchange firm, such as Canadian-based Knightsbridge Foreign Exchange (www.knightsbridgefx.com), is a sure method to obtain a better currency exchange rate than the bank and save money – often thousands of dollars, which can be used for new furniture or insurance. Obtaining a currency exchange rate from them is free and a quick comparison will demonstrate the amount you can save.

Obtaining cost certainty

With all the volatility in the currency exchange rates, the time between when you decide to buy the property to when it actually closes can be 30 to 45 days or even longer if awaiting short sale approval from a bank. In this time period the value of the US dollar can move significantly, potentially impacting the cost of your purchase – either positively or negatively.

A FX specialist firm can allow you to lock-in a foreign exchange rate at the time of your decision to buy until closing, without actually exchanging all the funds, providing you cost certainty on your purchase. This is a great tool that eliminates the FX downside risk from the purchase.

For example, if the exchange rate is at 1.00 USD/CAD, which means it takes one Canadian dollar to buy one US dollar, a property buyer can lock-in this rate and know for certain that to buy US\$100,000 in 30 days, it will cost C\$100,000. Doing so will allow you to sleep at night and not have to worry about finding additional financing if the exchange rate moves against you. Of course, if the exchange rate moves in your favor, you give up the right to benefit from the movement because you have locked-in the exchange rate. The main purpose of the tool is to obtain cost certainty and eliminate the volatility from impacting your purchase price.

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