

## Multi Currency Bank Account Can Help Diversify

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How a Multi-Currency Bank Account Can Help You Diversify Out of the Dollar.

Anyone looking for currency diversification strategies should consider a multi-currency bank account. Unfortunately this banking product is virtually unknown in North America and the UK, although it is commonplace in some European countries.

I say 'unfortunately', because this is one of the most simple and convenient tools for anybody looking to diversify out of the dollar. In this article, I'll explain more about multi-currency accounts and how you can open one.

A multi-currency account is simply a bank account, with a single account number, in which you can hold balances in various different currencies.

For example, you log in through internet banking and immediately you see a summary screen showing you have so many US dollars, so many Euros, so many Canadian dollars, so many British pounds etc.

Many banks allow you to hold a wide range of currencies, including more exotic currencies. Some European banks now even allow you to hold ounces or grams of gold in your account alongside national currencies.

Advantages to this are numerous:

- For a start, it is clearly a very convenient tool for anyone who is serious about diversifying currency risk. Instead of having lots of different account numbers and logins, you keep everything on one convenient screen. At any time you can easily exchange your balance in one currency (or part of it) for another currency.
- You can wire money in and out in different currencies, to and from anywhere in the world, without the need for currency conversions. This type of account is therefore ideal if you frequently send and receive money internationally, perhaps dividend payments, or transfers related to an overseas property or family living abroad.
- Banks normally permit you to go overdrawn in one particular currency, provided your overall "global" balance is in the black.
- You can have credit cards and checks linked to your main multi-currency account. Checks can be drawn in any currency. For credit cards, you normally have to choose one particular currency balance that will be debited.

Multi-currency accounts are a good, conservative way to hedge against currency risks or make profits with fluctuations. Unlike 'forex trading' your account is not leveraged, so there is not so much potential profit but there is also less potential for loss. This is an easy version of forex trading – for people who don't want to have their eye on currency rates every minute or even every day.

A multi-currency bank account also beats currency ETFs hands down. With currency ETFs you buy and sell back to your base currency, paying a brokerage fee each time. With multi-currency accounts you hold the actual currency on bank deposit, rather than stock in an ETF.

Anyone who is serious about diversifying outside the dollar needs a foreign bank account –and for many people a multi-currency bank account is the logical choice. But what about the IRS' Foreign Bank Account Reporting requirements?

Simply by opening a personal account like this, you will not affect your tax situation in any way, neither positive nor negative. US persons will be liable to declare foreign bank accounts to the IRS.

However, as outlined above, there are many extra benefits besides tax benefits. One of the greatest advantages, besides the currency diversification out of the dollar, is privacy.

Privacy is a basic human right, which is unfortunately disappearing fast when it comes to financial services, where domestic investments are basically an open book these days.

Although you might be obliged to report your offshore multi-currency account to the IRS, private parties like credit rating agencies or lawyers who might want to sue you certainly won't know anything about a private foreign bank account of this nature.

The multi-currency account was not designed as a sophisticated financial instrument. Rather it's an accident of history, something that developed in smaller European countries like Switzerland, Luxembourg and Andorra where individuals commonly needed bank checking accounts in various currencies.

This was especially true in the old days before the euro when Europeans did business in many different national currencies. Not coincidentally, these countries now offer the best international financial services as well as good banking privacy.

However, in modern private banking terms, such an account can provide a basic transactional banking relationship with a foreign bank, onto which you can tag many much more sophisticated wealth management services: for example, foreign currency loans for investing in bond holdings or stock portfolios. Most banks offer such services.

Needless to say, corporations, trusts, foundations and the like can also open multi-currency accounts and in such cases there is an even greater privacy benefit, and in some cases, depending on individual circumstances, tax reporting requirements may also be legally sidestepped.

How, then, can you open a multi-currency account?

Quite a number of banks in some European countries offer multi-currency services by default, as soon as you open account. Unfortunately, especially for US citizens, it has become very difficult to find a foreign bank that will open an account.

It is undoubtedly best if you can travel to meet the bank and open the account. Personal meetings and referrals from known and trusted parties still open a lot of doors that initial research might suggest are closed! It is, however, possible even today to open a multi-currency bank account through the mail.

<http://www.qwealthreport.com/how-a-multi-currency-bank-account-can-help-you-diversify-out-of-the-dollar/>