

Posted date: 7/7/2008

More Americans Go Global in Investment Strategies

Money Manager Industry

Once only the realm of the wealthy, more and more average Americans are taking advantage of global investment opportunities. Money managers say it's a trend likely to grow as developing nations continue to become more industrialized.

SPECIAL REPORT: MONEY MANAGERS

"Much of the world is in a way playing catch up, and you want to be participating in it if the rest of the world is growing faster than we are," said Tom Ellis, an investment specialist at Carmichael Associates, a financial and insurance services firm in Westlake Village.

The industrialization of developing nations isn't the only reason more Americans are investing globally. Financial products that had yet to emerge 20 years ago have also played a role in the trend.

"It's much easier to hone in on where you want to invest than it ever used to be," Ellis said. "Someone used to have to have a very significant amount of wealth and have a great big firm allocate the money around the world. With some of the financial products today, it doesn't take much to put 10 percent of your money in China or Japan. All it takes is buying an ETF (exchange-traded fund). It's pretty simple."

Shirley Svorny, chair of the Economics Department at California State University, Northridge, agrees. She said that, for the past decade, a growing number of American families are becoming more comfortable with putting their money into international markets.

The current economic slowdown has also presented a prime opportunity to invest globally, as it provides people with an opportunity to buy in at a discount, so to speak..

"In the long run, the lower you can buy in, the more money you make when it reaches the new height," Ellis said.

Because of this, Ellis said that Americans are suddenly flooding the global market with money. However, the financially savvy have been doing so since about 2003, he asserted. They realized that "you don't want to be leveraged to just one country's economy," Ellis said. "You should be allocated globally."

Spreading it out

It's especially important that someone who is just beginning to invest globally not focus on any particular country, Svorny said. Remaining broad-based is key, she stressed. "There's funds that focus on certain regions, or you can get into a global fund that's diversified more

internationally," Svorny said. "When you're investing internationally, you're taking on some risk, but you're also diversifying your risk. That can help to balance your portfolio."

However, Svorny issued a caveat about the fees paid to money managers while investing globally. While the fees paid to money managers in international investments tend to run higher, she said that, by comparing fees across companies, investors can find out if what they're paying is reasonable.

"If the fees you're paying money managers are high...that offsets any advantage to diversification," she said.

Rich Winer, president of Winer Wealth Management in Woodland Hills, said that in the globalization of the economy now many U.S. companies earn most of their income from overseas operations.

"Companies themselves are becoming more global, so you almost have to invest overseas," Winer said. "Even investing in the U.S., you're still getting overseas exposure."

Ellis pointed out that developing nations undergoing industrialization could experience a downturn just as the United States did after it completed the industrialization process. "It's very possible that happens with these other countries as well," he said. "The world economy ebbs and flows. It goes in cycles."

For now, Winer suggests to continue reaping the benefits of a waning dollar.

"The weak dollar makes foreign investments that are un-hedged more attractive, but if the dollar rebounds, that advantage will go away," he said.