



5 Reasons to Consider International Investments

Opportunities outside the U.S. offer plenty of potential, but plenty of risk too

As the world becomes increasingly interconnected, more and more investors are considering adding international investments to their long-term asset allocation plan.

Here are five significant reasons why investors should consider international investments to their long-term asset allocation mix.

#1: Diversification

One of the primary reasons investors should consider an allocation to international investments is for diversification purposes. By investing in assets from different countries and regions, investors can reduce the impact of regional economic or political events on their portfolio.

Diversification can also help reduce risk and volatility, as different markets tend to move independently of one another. This means that a well-diversified portfolio of international investments can help investors achieve more stable long-term returns.

#2: Potential for Higher Returns

Another reason investors should consider international investments is for the potential for higher returns. By investing in economies with higher growth rates, investors can potentially earn higher returns than they would in their home country.

For example, emerging markets may offer higher growth rates due to their young populations, increasing middle classes, and rapidly developing economies. While higher returns come with higher risk, a well-diversified international portfolio can help manage this risk while still capturing the potential for higher returns.

#3: Different Economies and Currencies

Investing in international markets also provides exposure to different economies and currencies. This can be beneficial for investors looking to hedge against inflation, currency fluctuations, or other risks in their home market.

For example, if an investor is concerned about inflation in their home market, they may choose to invest in international markets where inflation is less of a concern. Additionally, exposure to different currencies can help diversify a portfolio, as currencies tend to move independently of each other.

#4: Unique Investment Opportunities

International investments also provide access to unique investment opportunities that may not be available in an investor's home market.

For example, international investments may offer exposure to industries or sectors that are not well-represented in the home market.

Additionally, international investments can provide exposure to companies with different business models or growth prospects than those in the home market.

By investing in international markets, investors can broaden their investment universe and potentially find new investment opportunities that they may not have otherwise discovered.

#5: Spread Political and Economic Risk

Finally, investing in international markets can help spread political and economic risk. By diversifying investments across different countries, investors can reduce their exposure to any one country's political or economic risks.

This can be especially important for investors who live in countries with volatile or uncertain political and economic conditions. International investments can provide a hedge against these risks, potentially leading to a more stable and consistent investment experience.

Your Financial Advisor

International investments can offer a range of benefits to investors, but international investing does come with plenty of risks too. A well-diversified portfolio can help manage these risks while still capturing the potential for higher returns.

As such, investors should consider adding international investments to their long-term asset allocation plan – so long as such investments are consistent with your overall risk tolerance and financial plan.

Your financial advisor can help.