

The Shrinking Wallet

The first of the summer holiday travellers are beginning to feel the pinch on their wallet as they arrange to transfer the holiday spending money into a different currency.

Pounds to Euros... Dollars to Pounds... Dollars to Euros... These currencies especially are feeling the bite from the poor state of the economy. Holidaymakers will not be getting a good deal as in previous years. As much we see the headlines and bulletins about the bad state of our currencies, we ignore the reports as they are not immediately affecting us. Then... it will come as a shock as we go to exchange our hard-earned cash into our destination currency.

Holidaymakers however only have to live with this dire exchange rate while on holiday, but the main affected are those either moving abroad or those investing in property abroad.

This would mean that any transfer of money would have a poor exchange and as a consequence could mean the difference of up to £15,000 on a £100,000 transfer.

Midsummer 2007 saw the exchange rate for the Euro at 1.48 to the pound. Today we see the rate at 1.24. This equates to 24,000 Euros for each 100,000 Euros exchanged. Despite this poor exchange rate, various European property markets, especially Spain, are beginning to rise from the ashes as the influx of visitors arrive because of the summer.

As a consequence of such harsh rates, people having to transfer large sums, are having to think twice on how they transfer the currency. The normal channel chosen is through the banking system. But when the times are tough... alternatives are sought to exchange currencies.

The international 'Forex market' use Currency Brokers to exchange their daily transfers. Basically the role of the Currency Broker is to deal with money 'wholesale'.

It is common for the banks to charge between 2 to 4% on top of their wholesale purchase of currency. 95 times out of 100 Currency Brokers charge less than 1% (the other 5% will be for currencies of third world countries, especially those within a civil war).

Rather than explain further allow me to give some real illustrations...

Case Study 1

In November 2007 Simon from Gloucestershire wanted to invest in a property in Miami, mainly because the dollar was weak against the pound. He had £175,000 to invest which was going to buy him a substantial property. He'd received a quotation from his bank at US \$1.80 / £1. A broker in comparison could achieve US \$1.84 to the £1; plus of course these brokers don't charge any incidental fees. Simon if he would have gone through his bank would have \$315,000; but because he chose a broker they were able to secure \$322,000. This saved Simon \$7,000 almost £3,400

Case Study 2

In August 2007 there was Jayne from Southampton, she was buying a property in Almeria, Spain. Her transfer was for a villa at £325,000; a superb 5 bedroom villa with sea views. Her bank had frightened her with the exchange rate, so she decided to look elsewhere; fortunately she came to a broker's website. She'd been offered an exchange rate of US €1.39 / £1; they were able to offer €1.41 / £1. This meant had she continued with the bank she would have realised €451,750 - however fortunately the broker service could manage €458,250; saving Jayne €6,500 (£4,600)

Case Study 3

In September 2007 Dominique wanted to buy an Alpine ski home in Austria. The property had been valued at £295,000. He hadn't gone to the bank as he had heard the banks weren't always the best choice. A broker will be fully aware of what the banks charge at what rates they work with: Barclays on this day was working with an exchange rate of €1.35 / £1; the broker on the other hand could get €1.38 / £1. Using Barclays, Dominique would have received €398,250; whereas the broker secured him €407,100 which has a difference of €8,850 (£6,400).

Case Study 4

Margaret and her husband Roy were buying in the Majorca in December 2007; they were buying a 3 Bedroom apartment on a top class complex,

swimming pool, bar, shops etc. The property in Majorca is expensive so a three-bedroom apartment was priced at £265,000. Newly retired they wanted the best deal on their currency exchange. Their bank had quoted €1.31 / £1 but the broker was able to secure a deal at €1.33 / £1. This meant the currency broker was able to save Margaret and Roy €5,300 (£3,900).

Case Study 5

Elaine and Robert were buying in Northern France; a second home, but one that needed some renovation. In November 2007 the Euro had taken a bit of a tumble, so it was imperative that they got a good deal on their currency exchange to help with funds for renovation. The property purchase price was £76,000. Their bank had quoted an exchange rate of €1.33 / £1; whereas the broker secured a good price of €1.35. This was a particular good deal as days either side the broker could only secure a rate of €1.34. The exchange at the bank would have returned €101,080. The broker successfully secured €102,600; saving them €1,520 (£1,125). Elaine and Robert were happy with this saving as Robert had earmarked an inexpensive DIY kitchen.

Case Study 6

Natalie and Kevin from Blackburn were transferring two amounts over 3 months. They were buying a property off plan in Tenerife. Their first payment was a deposit of €16,500 and then a final payment of €149,500. Their first payment was in a period during 2007 when (February) the exchange was good, but by May the rate had changed down a little. However their first bank quote for the first transfer was €1.43 / £1; the broker was able to beat that quote and consequently because of their disappointment with their bank they didn't even get a quote for the second transfer. But the currency broker estimated we saved them €4,100 which is approximately £2,800

Case Study 7

Ines and Kevin from Glasgow were buying a Duplex in Spain, January 2008; it was a strange scenario, they were renting before they bought. They had lived in Spain for approaching 11 months and had left their house sale money in their bank in Scotland. Because of their purchase they had been advised to use a broker. Rather than use the broker the building company recommended, they had chosen to look on the internet. Fortunately they had found a Currency Broker. Most brokers can always beat a bank's quote, it isn't so easy to beat another broker. The Currency Broker saved Ines and Kevin €1,300 Euros over another broker, but nearly €6,200 Euros against the banks

Case Study 8

Helen and Darren from Bootle in Cheshire had taken 9 months to purchase a villa in Pescara in the Abruzzo region of Italy for €650,000; January 2008. Sadly when a house purchase takes so long there can be variations in the currency rate, and on this occasion it wasn't in Helen and Darren's favour. So it became even more important to save on the currency exchange. Had they gone to a bank they would have paid €8,100 more than they paid a Currency Broker. They successfully managed to save them £6,090.

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Please visit my website as described in the article.

Action Speaks Louder than Word... Quietly Confident!

(He who claims he knows, knows nothing. He who claims nothing, knows)

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