

**FINANCIAL LITERACY -  
DEALING WITH EXCHANGE RATES**

“How much did you send? You sent me more last month!” You keep sending the same amount. But you are never sure how much your family will get. The years go by and the Peso goes up and down. 5, 6, 6.45, 5.99, 6.22...

Currency rates are very hard to predict, and keep changing. Many factors impact them: how the national economy is doing, the inflation rate, the interest rates... To top it all, some major currencies (the US dollar, the British Pound, the Euro...) are also impacted by where investors choose to invest. And the Hong Kong dollar is pegged to the US Dollar. What does that mean? It means that its rate follows the US dollar: they are linked. The US dollar cannot be less than 7.75 HK dollars and more than 7.85. The Hong Kong Monetary Authority buys and sells dollars in order to keep the HK dollar stable towards the US Dollar. But what happens when the sea is rough and two boats are linked together? The sea is rough for both of them! So when the US dollar goes down towards other currencies, like the Euro or the Filipino Peso, so does the Hong Kong Dollar! In other words, these changes don't have much to do with how the Hong Kong or the Philippines economies are doing! And there is definitely not much you can do about it!

However, there are a few things you can be careful with. First of all, compare the remittance agents. Are they safe? Do they offer a good service? What are the exchange rates they offer? What are their fees? Is it fixed or a percentage of the amount you transfer? Make sure you get a full picture: if you get a better exchange rate... but an expensive fee, this may not be worth. Ask questions! Write a list with the rates and the fees, on your side but also on the other end: for those who receive the money.

In which currency should you keep your saving? That is a tricky question! It depends on the exchange rate but also on the interest rate and the inflation. It also depends how soon you are planning to move back to the Philippines. When you take your decision, you should also consider what you want to do with the money. For example, if you want to buy a house in the Philippines in the near future, it may be less risky to have most of saving there. At least, you know how much pesos you can count on to pay for a house. If you leave it in Hong Kong until the last minute, you leave a big question mark on how much you will have to buy your house: it may be more... but it may be less than you expect! And if it is less, you may have to borrow more money to buy your house or change your plans.

You can have two approaches: mitigate the risk... or try to get more and gain from these ups and downs of exchange rates. To be safe, you could have half of your saving in Hong Kong and half in the Philippines. Or leave them in the country where you are more likely to use them.

The risky approach is to try to play and gain money from the exchange rates of the Peso and the Dollar and other currencies; but you may lose too! And this is more like gambling than investing your money! On the other hand, you can set yourself limits: if the exchange rate is low, you may want to keep money in Hong Kong and

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*Because money is more than adding up figures*

stop transferring money. And if it is high, you may resume your transfers to your saving account in the Philippines. You only have to decide what limit rate you take!

If you have questions, send me an email: [Sophie@aandbmake3.com](mailto:Sophie@aandbmake3.com) or read [www.aandbmake3.com](http://www.aandbmake3.com). **Enrich**, our not-for-profit partner in Hong Kong, gives courses on money matters (T: 2817.8928)