Look Beyond U.S. Borders for Investment Opportunities

On any given day, you could talk on a Samsung cell phone, watch a Sony television, take a Bayer aspirin or eat a Nestle Crunch bar. What do all these products have in common? They're manufactured by companies based outside the United States. In fact, many of the goods and services you use are internationally based — which gives you an idea of how many *investment possibilities* there are in the world. Are you taking advantage of these opportunities?

If not, maybe it's time you expanded your investment horizons. After all, about half the world's stock market is made up of non-U.S. companies. So if your portfolio lacks foreign companies, you are likely keeping out many industry leaders in a variety of market segments. Many foreign companies are among the 10 largest within their respective industries, which include airlines, automobiles, banks, life and health insurance, and food and commercial products.

Furthermore, international investing can help you *diversify* your portfolio. If we enter a recession, many American companies may go through some rough times — and this might show up in their stock prices. But you might be able to blunt the effects of an economic downturn by adding some international stocks to your holdings. Keep in mind that not all markets move together. For example, when the U.S. market is down, the Pacific Rim countries may be up. In fact, foreign markets have outperformed U.S. stocks about half the time over the past 25 years.

A word of caution, however: Don't be fooled into thinking that any one area of the world will be particularly "hot" — from an investment point of view — at any given time. The fact is that any one geographical area may lead the investment world one year, only to fall far down the list the next. And it's almost impossible to predict which country will be up and which will be down. Consequently, you'll want to spread your international investment dollars among a variety of companies, industries and countries.

Special Risks to Consider

International investing has some benefits — but it carries some special risks, as well. Political or economic instability, along with changes in foreign currencies and interest rates, can affect the performance of global investments. Also, foreign market practices and accounting standards can vary widely, and it may be difficult to trade or obtain relevant information. That's why investments in foreign securities generally carry higher expenses than domestic investments.

Limit Your Holdings — and Get Some Help

It's almost certainly a good idea to limit your foreign holdings to no more than 10 percent to 20 percent of your portfolio's total value. The exact percentage will depend on a variety of factors, including your risk tolerance, time horizon and long-term goals.

And before you buy any foreign stocks, get some help. Most people don't have the time or expertise to really understand all the factors that go into picking foreign investments. But a qualified investment professional can help you make the choices that are appropriate for your individual needs.

You may plan to visit many different countries someday — but your investment dollars can start traveling *today*. And with luck, they'll send you more than a postcard.

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