

Money Matters

Q: Is it better to have a strong dollar or a weak dollar?

A: That depends on what you're buying or selling, and on where you are. A strong dollar is wonderful if you're about to leave for Europe on vacation, because it means that you can exchange fewer dollars for more Euros, for example. Or take an American store that sells Italian shoes: When the dollar is strong, the store owner exchanges fewer dollars for Euros to buy the shoes, so he can then afford to sell the shoes at lower prices. If the dollar falls against the euro, the store owner must spend more dollars for the same shoes—even if their price in Euros hasn't changed at all.

On the other hand, a weak dollar helps companies that sell American products in foreign markets. It lowers the cost of American goods abroad, making them more attractive to foreign buyers. It also means the profits that American companies earn in foreign currencies will be translated into more dollars at home. That's good for their businesses—and their shareholders.

Q: Are foreign stocks a good investment?

A: Long-term investors who are willing to assume a certain degree of risk may wish to consider owning foreign stocks because they may help to diversify your portfolio. This is because foreign stocks and U.S. stocks don't always rise and fall in tandem.

Note that an investment in foreign securities may be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political and economic instability, less publicly available information, and changes in tax or currency laws and in monetary policy. These risks are likely to be greater for emerging markets than in developed markets.

Q: How much foreign stock should I hold in my workplace retirement account?

A: That depends on your time horizon, risk tolerance and investment objectives. For example, if you decide that a 60/40 mix of stocks and bonds is appropriate for you, consider putting 10% to 15% of that 60% stock allocation into an international stock fund and dividing the rest between U.S. large-cap and small-cap funds.

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