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## **The International Investing Guide For Adding Stability And Returns**

**Dan Eggertsen:** Hi this is Dan Eggertsen. I'd like to welcome everyone to the call. I'm here again with my father Carl Eggertsen. How you doing, Dad?

**Carl Eggertsen:** I'm doing real good Dan.

**Dan Eggertsen:** Good Dad. So we've been getting a lot of questions on international investing lately and I've boiled it down to three basic questions that people are asking. So I wanted, if you have some time to tackle each of those one at a time right now?

**Carl Eggertsen:** Well I'll give it a try. We'll see what the questions are.

**Dan Eggertsen:** Okay. The first one is, "What types of international investments do you recommend?"

**Carl Eggertsen:** Okay. First, since it's very difficult, what I'm going to do is just start off with some justification for the recommendations I'm going to make here in a minute or two.

**Dan Eggertsen:** Okay.

**Carl Eggertsen:** But first, it's very difficult to pick winning US stocks. You know that's in our own country and actively manage mutual funds. It's very tough to do even in this country. It's been proven over time that it's very rough to know what stocks and what actively managed mutual funds are going to be winners. So it's kind of a crap shoot. So that's hard. It's even much, much harder doing this in foreign countries because we are just not as familiar with other countries as we are our own. So it makes it even more difficult because there's a lot more unknowns.

Second, historically over time, stock markets go up in value. Even foreign markets go up in value over time. Despite the normal choppiness and the recessions and the bear markets we have, over long periods of time they move up. They generally trend upward. Studies have shown that investing in entire markets through index funds beats over 90% of the professional stock pickers and actively managed fund managers over time. So you

have a lot of background there as far as what the average investor in particular should consider doing.

What I'm going to recommend is index funds which typically – index mutual funds or exchange traded funds – they typically have very low fees and high tax efficiency. So you're way ahead of the game at the start. I recommend foreign index funds or exchange traded funds and I'm going to recommend one of each with a company, Vanguard Group. Many listeners are probably familiar with Vanguard. It's one of the top tier mutual fund companies in the country and probably the world.

There're two funds, they're one stop mutual funds that get foreign exposure. There's an index mutual fund that goes by the name of the Vanguard Total International Stock Index. Its ticker is VGTSX and the other one is the Exchange Traded Fund which is the Vanguard FTSE All World minus the United States. So it includes developed countries and the emerging countries like China, Brazil, and India. So it really covers the gamut. [03:28.6]

These are both one stop shops because they both contain emerging countries' markets as well as the developed markets. The management fees are 0.1% to 0.2% in that area. They're among the lowest among all mutual funds. They both cover again the emerging markets and they both have approximately 20% of the very fast growing, emerging markets again like China and India. So they're really a one stop place for easy for somebody to purchase either one of these two funds and have foreign exposure immediately. Okay?

So I have a little note here that I wanted to make. I just recently was looking at an article about Charles Schwab is coming out with three brand new foreign exchange traded funds at extremely low cost like Vanguard. But one advantage they have is that they have absolutely no transaction fees for trading at all; either of these funds. To buy, to sell, to just rebalance; zero cost.

**Dan Eggertsen:** Wow.

**Carl Eggertsen:** There is no other deal that I've heard with any other mutual fund quite like that. These are coming out by the end of the year. So that's just for people listening here to watch for them because there's actually going to be three funds. One is the developed markets, one is the small cap index markets, and the other one is the emerging markets. So there's really three that you'd, at least two of these three you'd probably have to get into to get the full exposure that you get with either one of these two other funds that I just mentioned through Vanguard.

**Dan Eggertsen:** Okay.

**Carl Eggertsen:** But just for people to be aware of because having no cost transactions to trade, that really is unheard of and that's an industry change. I think it's going to be affecting the cost of mutual funds and exchange traded funds across the board. Okay

there're a couple of other companies that get involved with foreign index funds and they're Fidelity Investment Company and Barkley's Global Investors iShares.

**Dan Eggertsen:** Okay.

**Carl Eggertsen:** So the ones I mentioned, especially Vanguard right now, they're a tried and proven, the funds are tried and proven, the company is. Charles Schwab is excellent also. I think the listeners have some idea about where to go to get foreign exposure.

**Dan Eggertsen:** Definitely Dad. Thank you so much for that.

**Carl Eggertsen:** Okay.

**Dan Eggertsen:** Good answer. Okay so let's move onto the second one. "Why should someone invest internationally and why is it important?"

**[06:14.8]**

**Carl Eggertsen:** Well the US right now is well less than 50% of the global equity markets in total value. In other words, foreign markets, there's a lot more opportunity out there because they're close to 60% now of the foreign markets make up the total international equity market. So investing in the US, you're missing out on about 60% of the rest of the whole world where you have a lot of opportunities. The US used to be over 50%, but no more.

In fact, there's been a global shift in economic growth to the huge emerging countries such as Brazil, China, and India which I mentioned previously. 2.6 billion people. Okay? The populations are growing in these countries, the demand is growing and companies over there are growing fast. There're a lot of opportunities in the international markets that we don't have here. So why not take advantage? Studies have shown that diversifying globally beyond just the US you get increased returns and reduced risk.

**Dan Eggertsen:** Right.

**Carl Eggertsen:** Some numbers from a study that was done recently was that if you go from 0% international to 20% international, you reduce the likelihood of negative returns by 30%.

**Dan Eggertsen:** Oh is that right?

**Carl Eggertsen:** Oh yeah. So you're getting more growth but you're also reducing your risk because you're getting diversification and you're getting a lot of opportunities with these very fast growing countries overseas that are growing much, much faster than the

US. Of course, the US has been going through a deep recession. So there're a lot of opportunities in the international market.

**Dan Eggertsen:** Sounds like it. Okay Dad. Great. So then let's move on to the third and final question. "How much of my money should I put into international investments and how should I do it?" So what's the method here?

**Carl Eggertsen:** Well studies say at least 10%. To have some influence on your portfolio. That goes with any asset that you put in your portfolio. You need to have at least 10% of whatever mutual fund or stock or whatever that you put in your portfolio to have any significant influence on the performance of your portfolio. I would recommend at least 10%, more like 20% for most people.

**Dan Eggertsen:** Yeah.

**Carl Eggertsen:** Again because the US, we're having some very tough times economically. We don't know how long this is going to go on. You're missing 60% of the world equity market opportunities where there're a lot of fast growing countries and companies overseas that we just don't have that kind of growth here.

**Dan Eggertsen:** Right.  
[09:07.2]

**Carl Eggertsen:** So there's a lot of opportunity to get in there and you're not putting yourself at risk as I just pointed out in that study that was done in the last question. If you get at least 20% in your portfolio, you're diversifying at a point, you're reducing your overall risk, and growth opportunities are enhanced along with that. For many people who might be more comfortable with understanding that we're now in a global economy, not just a US economy and these other countries overseas. We're now intertwined into a global economy so 30% to 50% would not be unreasonable, especially for young people who have quite a few years for growth in portfolios and can take on a little bit more risk.

When I say more risk, the emerging countries because of their nature, India and China and so on, they're very fast growing and where there's high growth, there's also more risk as with any investment. But the point is that you're getting a lot of diversification. So anybody that wants to talk about risk, you just need to go back to that 20%. If you have 20% international in your portfolio, overall, in the long run, you're going to have more growth opportunities and less risk because you're diversified.

**Dan Eggertsen:** Right.

**Carl Eggertsen:** Okay? So I say at least 20% and as high as maybe 30% to 50% because again, most of the world, most of the equity markets now are overseas, they're not in the US.

**Dan Eggertsen:** Right. Okay. Well thank you so much for your time Dad. Again, three great answers to three good questions. I want to thank everyone for their time listening to this call and we'll talk to you again soon Dad.

**Carl Eggertsen:** Okay Dan. Take care.

**Dan Eggertsen:** Okay. Bye bye.

**Carl Eggertsen:** Bye bye.

**[11:01.6]**