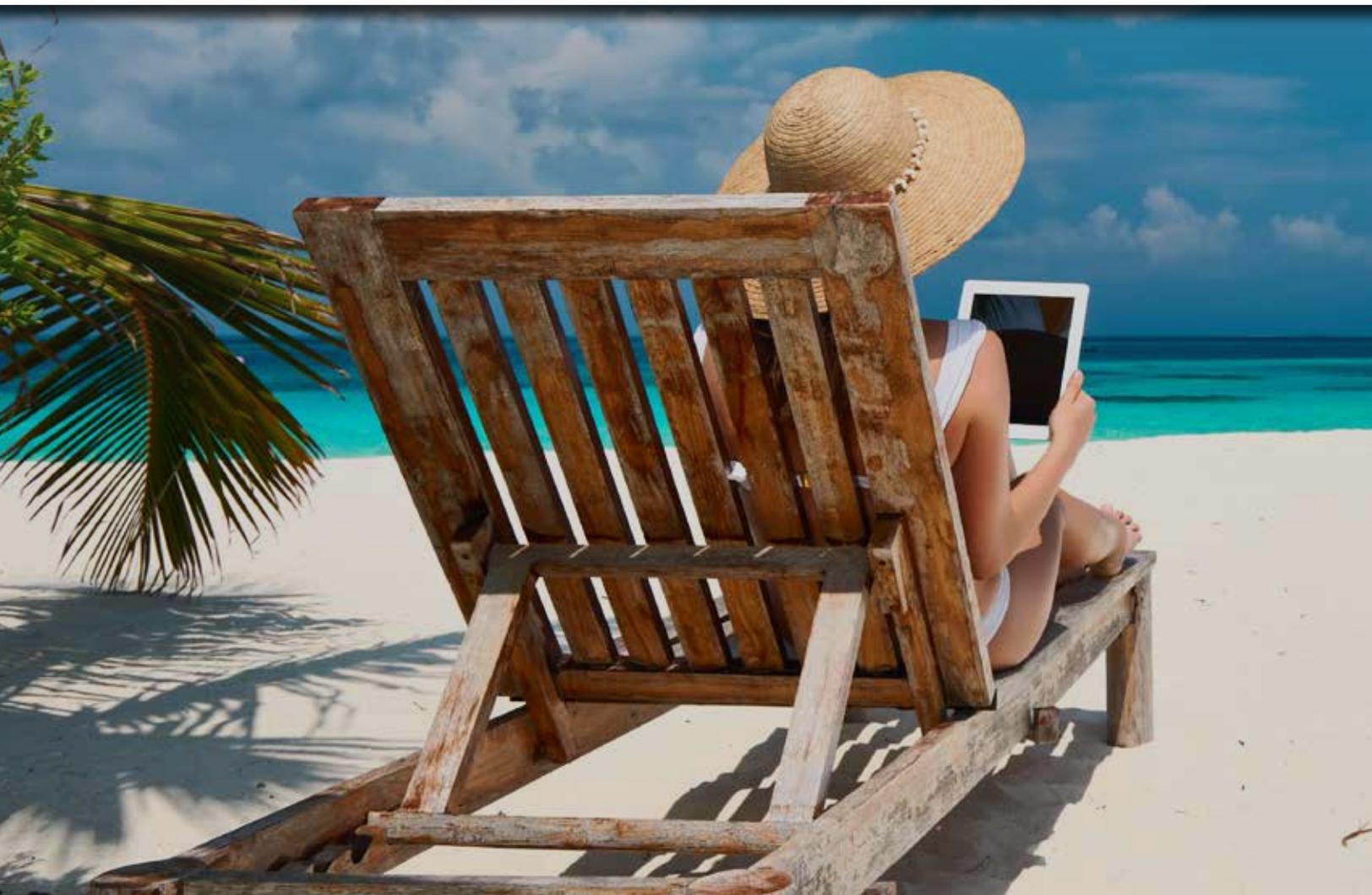




How to
Summer in a Dream
Vacation Spot for Free
& Earn Money Doing It





How to Summer in a Dream Vacation Spot for Free — and Earn Money Doing It

By Ted Bauman, Editor, *The Bauman Letter*

RETURNING home from a vacation can be really tough. There's usually a five-stage cycle after unpacking your things. First comes telling anyone who will listen — and some who won't — about the amazing cuisine and culture you experienced abroad.

Next, you find yourself in a staff meeting or stuck in traffic, daydreaming about quitting your job and selling everything to move to your dream destination.

After that comes some research to check out that country's job market and housing prices. Then, reality sets in: You think you can't afford a drastic lifestyle change after all. The best you can do is settle for planning your next trip (as soon as you've accrued enough time off work), instead of living a "permanent vacation" lifestyle in the overseas destination of your choice.

But what if the post-vacation cycle didn't have to end that way?

What if there was an affordable way to acquire a second citizenship, buy property in your favorite Caribbean island or Latin American getaway — and rent it out to cover all the costs when you're not using it?

That's the idea behind this report. You can do it, and enjoy the privileges that come with dual citizenship ... and a retirement rental property that pays its own way.

After all, people do this all the time with vacation properties located inside the U.S. ... but there's nothing stopping you from doing it abroad, too.

Now may be the best time to make this investment in your future. Not only are you creating a retirement haven for your later years, but you're also creating a safe haven for yourself in the event of turmoil or economic unrest at home. And with the strength of the U.S. dollar, there's no better time to buy overseas.

Choosing a Country

If you've spent some time exploring the world, you may already have a pretty good idea of where you'd like to spend more time — perhaps it's the ocean breezes and laidback lifestyle that lures you back to your apartment in Montevideo, or your getaway on the Caribbean island of Grenada each year, or the architecture and culture of Italy that make you feel relaxed, like you're visiting a simpler time.

But before you make an emotional decision, consider the practical issues:

1. Restrictions on Foreign Ownership: Not all countries allow foreigners to own property outright. This is obviously important when you purchase property for the first time, but it could also be critical if and when you decide to sell it to realize its value. Unrestricted foreign ownership rights mean you're operating in a global market, not just a national one. You can sell to other foreigners as well as locals.

2. Market Stability and Liquidity: Obviously, you want to invest in places that will maintain the conditions that prompted you to buy there in the first place. It's impossible to predict the future, but there are many countries that can boast decades of stability on the issues that matter — property rights, taxation, openness to foreigners and so on. That's where you want to invest in property. But you also want to be sure that you can liquidate your property holdings when the time comes, so choosing a country with an active property market is important too. The good news is that the two factors — stability and liquidity — tend to go hand-in-hand.

3. Title Security: Some countries with seemingly attractive upfront property deals also have weak titling and deeds registry systems. This can come back to haunt you if someone comes along with a stack of old paperwork and claims that your land was actually stolen from his grandfather. Even if it isn't true, it can tie your property up for years.

4. Buying Costs: Every country levies some form of tax or duty at the time of a real estate transaction, which is usually shared by buyer and seller. It's important to anticipate this cost so you can balance it against expected land value appreciation and other cost factors.

5. Property Tax: Some countries don't levy any property tax. But most do, and like transaction taxes, these need to be taken into account when working out how much of your wealth you're going to be preserving, and how much you're going to be giving to the foreign taxman for the privilege.

6. Capital Gains Tax: Capital gains taxes on property sales vary widely. Some countries don't levy any at all, or tax it as ordinary income. But some — including some of the most popular expat destinations — have capital gains rates in the double-digits. You want to know up front if you're going to be trading low transaction and property taxes now for a big capital gains hit when you sell and vice versa. But bear in mind that the IRS is going to tax you on any gains from foreign property sales, so the most important thing is to ensure that the foreign rate is below or equal to U.S. rates, which are 15% to 20% for most households. That way, you can deduct the foreign capital gains tax from your U.S. tax obligations and come out even. If you invest in a country with a capital gains rate above the U.S., you will pay more in taxes.

7. Choosing the Right Property Agent: In many countries, the real estate agent sets the sale price, not the property owner. The seller specifies the minimum amount they want from the sale, but the agent tries to sell for a lot more to make a profit. There's often no U.S.-style multiple listing service that allows you to compare what different agents might be asking. So it's important to seek out trustworthy agents and advisers who can help you understand the local property market, values and opportunities.

For a variety of reasons, the Caribbean and certain parts of Latin America have distinct advantages for Americans compared to other regions around the world. For instance, the Caribbean islands (as well as Central American countries like Panama, Costa Rica and Nicaragua) are relatively short travel times from U.S. airports, in terms of hours spent in the air — and therefore closer for your friends and family to come for visits and vice versa.

The one downside of Latin America, however, is the language. You may already speak Spanish, or have a knack for picking up the local lingo and adjusting quickly to living in a new culture. If you don't, you may feel isolated and feel like you've made a mistake — although most locals are very tolerant of language issues. Everyone is different when it comes to these kinds of questions — and the only person who can provide the honest answer is you.

Country	Foreign Ownership Restrictions	Title Security	Average Buying Costs	Property Tax	Capital Gains Tax	Stability
Belize	None	Medium	6.5%	1.00%	0%	High
Cayman Islands	None	High	7.5%	0.00%	0%	High
Costa Rica	Minor	High	5.0%	0.25%	0%	High
Dominica	Minor	High	21.0%	0.00%	0%	High
Dominican Republic	None	Medium	5.0%	1.00%	29%	High
Ecuador	Coastal	Medium	3.0%	0.25%	35%	Medium
Malta	Minor	High	12.0%	0.00%	0%	High
Mexico	Coastal	High	3.0%	0.28%	30%	High
Nicaragua	None	Medium	6.5%	0.25%	20%	High
Panama	Minor	High	2.3%	2.10%	10%	High
Turks & Caicos	None	High	10.0%	0.00%	0%	High
Uruguay	None	High	8.0%	0.25%	12%	High

Paths to Citizenship

Once you've zeroed in on a dream destination for your second home abroad, you may want to consider what it would take to acquire citizenship there someday. A second passport gives the right of residence as well as all the protections of being subject to a foreign government. Second passports are especially handy for those who want to be able to use that document to get around the visa requirements imposed on their compatriots while traveling. Of course, it also provides an escape route to a friendlier clime should the need arise.

- **Economic Citizenship:** The fastest way to obtain a second passport — but certainly not the cheapest — is through an economic citizenship program, where you essentially buy a second citizenship. These programs often take the form of an investment program where you either invest in real estate or in certain funds as specified by the local government.

One well-known program is the island country of St. Kitts and Nevis, where you make an investment in the country and in return get a St. Kitts passport and citizenship. You have two options: Either invest \$400,000 in qualified real estate or donate a nonrefundable amount of \$250,000 to the Sugar Industry Diversification Foundation. You'll enjoy visa-free access to 120 countries, including the U.K., Hong Kong, Schengen and Singapore. This route is also available in Antigua and Barbuda, Dominica and Grenada.

None of these citizenships are automatic; all involve a due diligence process and subjective evaluation by an immigration board. Aside from the fee imposed on individuals, couples or families, there are also government fees and agency fees to factor in. Some countries, such as Antigua and Barbuda, have a residence requirement and others, like Dominica, have an interview process.

- **Naturalization.** There are far cheaper dual citizenships to go after if you're willing to wait out the naturalization period. This usually involves a specific period of prior residence in the country and/or marriage to a citizen. Almost all countries have a route to obtain permanent residence, often linked to marriage, a job, starting a business or other commitments to the country. But this means actually living in the country for a period — usually five years — before acquiring citizenship. Note that marriage to a citizen does not always confer automatic residence.

- **Sanguinity.** This option is available by descent or other affinity to the national community (e.g. religion).

The most common is for people born in the U.S. to parents from a foreign country, who often acquire that citizenship automatically. Some countries give citizenship to foreigners descended from at least one grandparent (sometimes further back) from that country. Countries that offer this route include Italy, Greece, Turkey, Bulgaria, Lebanon, Armenia, Romania, Afghanistan, the Philippines, Croatia, Estonia, Hungary, Ireland, Israel, Lithuania, Malta, Poland, Rwanda, Serbia, Slovakia, South Korea and Ukraine.

Economic Citizenship at a Glance				
	Dominica	St. Kitts/Nevis	Antigua/Barbuda	Grenada
Fee (individual)	\$100,000	\$250,000	\$200,000	n/a
Fee (couple)	\$175,000	\$300,000	\$200,000	n/a
Government Fees	Procedural fees of \$1,765; due diligence fees of \$4,000	\$50,000 for applicant; due diligence fees of \$15,000	\$50,000 (investment option only)	Included for main applicant, \$5,350 for spouse
Agency Fees	\$20,000	\$25,000	\$45,000 plus due diligence costs	Unknown
Residence Requirement	None	None	Five days over five years	None
Interview	Yes	No	No	No
Visa-free Access	90 countries (U.K., Switzerland, HK, Singapore)	120 countries (U.K., HK, Singapore)	139 countries (U.K., Canada, EU, HK, Singapore)	110 countries (U.K., HK, Singapore)

Important Factors to Consider for Your Overseas Vacation Property

Once you've narrowed down your choice of countries, you're ready to make your real estate decision. Of course, it isn't quite that easy. Let's explore some of the immediate considerations, some of which will seem foreign if you're used to only handling stateside residential real estate transactions.

1. When buying foreign real estate, make sure you know the rules and laws governing foreign ownership of the specific land you want, since they often vary within the country — say near coasts or borders, as in Mexico or Ecuador. If foreign ownership limits are an issue, always get a written guarantee from the authorities.
2. Also, you'll want to make sure you can use your property for your intended purpose. This includes such things as "build requirements." If you're buying a residential lot, you may have to build a home within a certain time frame of months or years. Check the style of house you're allowed to build, the height, size and any other rules you'll have to comply with. In some countries foreigners have to build a house of a certain size and value within a relatively short time of buying a lot.
3. Make sure you research as much as possible about your intended usage of the land. For instance, if you're buying land that you intend on renting out as a farm or ranching property, get an expert to carry out a soil analysis test and give you a full report on its condition, local rainfall patterns and whether the usage you have in mind is appropriate to what the soil and topography of the property can support. Also, sometimes there are restrictions on the use of property; get your attorney to check the deed with the local municipality.
4. You'll also want to consider infrastructure — your connections for electricity, fresh water, sewer

connections and the Internet. Check out the standard of the water supply and sewage treatment systems. Ask if they comply with local regulations. If the land doesn't have access to water or sewage, figure out how much it will cost to install them. Find out how reliable the electricity supply is — will you need a back-up generator? If you need to install it, how much will that cost and how long will it take? If you want cable or high-speed Internet or cell coverage, make sure you can get it on your property.

5. What about road access to your property? If access is via a right-of-way, make sure that it's recorded in the deed. And investigate to see if anyone else has access to your land. If they've used it to get from Point A to Point B, or lived on it for long enough, they may have acquired legal rights to carry on doing so.

6. Property boundaries are another important area you'll want to research. Get a proper survey done to establish the legally recognized boundaries of your land. The survey will tell you exactly how much land you're getting. That's very important if you're buying a big parcel of land and paying a price per acre. You need to know you're getting all the acres you're paying for.

Financial Considerations of Renting Your Offshore Property

There's more to think about than just the purchase price of a property. If you want to rent it out — for example, to finance you own annual vacation and/or eventual retirement there — you'll want to make sure you cover all your bases. There are important considerations when it comes to properly handling your offshore real-estate.

- **Hiring a management company.** It's important to get a handle on the yearly expenses in relation to the property, including management fees. It's important to have a person or company on the ground that can deal with maintenance issues while you're hundreds or thousands of miles away. These companies' services can vary, so it's important to choose a really competent and trustworthy real estate management company and manage the relationship the correct way.
- **Banking and income taxes.** If you earn any rental income from your property, it must be reported on your personal U.S. income tax return (Form 1040, Schedule E), regardless of the amount and regardless of whether you are required to report the existence of the property itself to the IRS. If you open a foreign bank account to facilitate the purchase of the property, or to receive rental income, and that account has more than \$10,000 in it on any one day of the year, then you also must report the bank account to the government, commonly referred to as the FBAR, or Foreign Bank Account Report.
- **Double taxation.** When operating your home abroad as a rental property, you will owe taxes in the country where the property is located. To avoid double taxation, you can take a tax credit on your U.S. tax return for any taxes you paid to the foreign country relating to the net rental income. Bear in mind that you can't take a credit for more than the amount of U.S. tax on the rental income, after deducting expenses, but you're allowed to claim a foreign tax credit if you sell your property and pay capital gains tax in the foreign country.
- **Additional taxes and fees.** You'll likely be faced with some other expenses you hadn't bargained on before all is said and done. For instance, for real estate in St. Kitts, a buyer needs to pay something called a stamp tax, which is 12% of the cost of the property. In Antigua, the stamp tax is about 7%. Depending on how you purchase a property, either through a company or individually, these taxes can go up or down. You'll also want to think about attorney fees. In most common law countries (British-based law), attorneys charge a percentage of the cost of the property in order to do the legal work related to transfer of title (in the U.S., this is called the closing legal fees), which can be up to 2.5% of the cost of the property. These details simply work differently in different countries, so it's important to get a handle on them in advance to avoid ugly surprises.

Foreign-property ownership and tax laws are complicated and change suddenly, so it's wise to consult with a qualified tax accountant and/or real estate attorney both abroad and in the United States.

Our Favorite Areas

As you've probably realized by now, you have a wide array of choices for your offshore haven. It all depends on the many variables we've detailed in this report. *The Bauman Letter* has some long-held favorites we'll detail below, but you'll read more about them from time to time in the pages of the newsletter itself.

Uruguay: The South American nation of Uruguay is increasingly popular as a destination for foreign-property investment. It's a longer flight from the United States, true, but there's a reason that this nation has long been called the Switzerland of the continent. Land prices have been climbing higher over the years, due to the country's many attractive attributes for expat real estate ownership: a strong, stable government, the well-established rule of law, and international ownership of property is welcomed and respected. The country also has a mild climate, ample annual rainfall and attractive pieces of farm, ranch and urban real estate to consider for purchase.

Panama: Panama, like Uruguay, has a strong tradition of respect for liberty, property and privacy. Its strong economy is based on its service sector, such as Panama Canal operations and the Colón Free Trade Zone (second only to Hong Kong in trade volume). It's also a key offshore financial center and is an excellent place to consider for your asset protection options as well. As far as "welcoming" goes, two years ago Panama created a new category, "Immediate Permanent Resident," aimed at attracting foreign nationals. This fast-track program targets professionals, managers and business entrepreneurs. By all accounts, the country is one of the best places to live in the Western Hemisphere; if you love beaches, watersports and tropical landscapes, Panama has all that and more.

Final Words

Join the Plan B Club: If you're specifically interested in learning the nitty-gritty details of where to buy, how to buy and who to turn to for expert help, you'll want to consider becoming a member of something I call the Plan B Club.

The Plan B Club is a step-by-step blueprint to help you protect your wealth and escape excessive taxation, regulations and wealth confiscation in America. I provide members with the tools they need to live a free and more satisfying live overseas. [Click here](#) for more information.

How to Summer in a Dream Vacation Spot for Free is certainly not the "be all, end all" of your offshore real estate options. It's only the start, and part of what will be an educational and financial process that you'll want to take your time thinking through, researching and finding more information on. I look forward to telling you about more opportunities in offshore living in the pages of *The Bauman Letter*.

Kind regards,



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