

# Retirement Adventures: Living Abroad

By [Scott Ho](#)



A number of senior baby boomers with a sense of adventure after years of workplace stability are expanding their search for the perfect place to settle down in retirement to destinations outside of the United States. According to the Social Security Administration, more than 346,000 retirees are receiving their social security checks outside the U.S. (last reported in 2011). Attracted by exotic lands, lower real estate or cost of living, high-quality health care services or a chance to start a small business, retirees are considering retirement abroad.

There is something appealing about the idea of retirement abroad. Striking out for foreign lands can seem pragmatic as well as poetic. South America offers warm climates, low costs of living, select health services such as plastic surgery in Brazil and Argentina, or trade opportunities say in coffee or leather goods. Other retirees prefer the tropical landscapes of Southeast Asia. While some prefer the opportunities to start a second career with the trade centers of Singapore, China and East Asia. Even Western Europe, once considered out of reach for most retirees, has become more affordable in the wake of the economic downturn.

Unfortunately, relocating to another country is not always as simple as taking a vacation. You will need to consider a range of factors, from your destination country's political stability and ability to connect with your loved ones to the logistics of legal residency and managing your assets from afar. Before packing your passport, weigh the pros and cons of incorporating life abroad into your

retirement plans, then speak with your trusted team of financial advisors to determine if your choices fit your budget.

## Organizing Retired Life Abroad

If you thought moving into a new home or across country was difficult, imagine the level of detailed organization required for a move to a foreign country. Before you can begin organizing your finances, you will have to weigh your options to choose a country. You will need to consider the political environment, available services, convenience of communication or cost to travel home and more.

## Home is Where the Heart Is

Time to pick a location you (and your spouse) are invested in; many buyers choose a country based on sentimental attachment, familial relations or a business opportunity. Hopefully you have visited or spent some period of time here before considering immersing yourself in the local lifestyle and culture. Your happiness and enjoyment is a factor in the decision to relocate.

After the fantasy of living abroad becomes reality, some expats find themselves feeling isolated, particularly when they don't speak the local language. Consider whether you might want to live somewhere with a vibrant expatriate community. Also keep in mind that the amount of English spoken in various countries may vary from region to region, or even from neighborhood to neighborhood.

How will your move impact your close relationships? Moving across the globe can change family dynamics, whether between children and parents or within couples. Understand the impact your move will have on close relationships. For example, if you have your heart set on a specific country will your spouse get to choose a home that functions for their needs?

Then you will want to consider how easy it is to connect with the outside world from this dream location. Will you be able to afford lengthy plane rides home for the holidays? Can you easily access email or video call services to stay in touch with family members and friends back in the US? If it is important to stay connected, ensure your loved ones or friends have an easy and inexpensive way to connect.

## Health Care and Emergency Services

Some retirees relocate abroad to warmer climates with inexpensive health care or specialized services. Access to quality health care is paramount in retirement, so be sure to understand the relative cost and quality of care in the country where you hope to retire. While many countries can offer health care that is comparable to, if not better than, what you get in the United States, coverage can vary by city or region, and even by type of care.

Research the physicians and facilities in your potential destination and plan accordingly. For example you will find that Medicare does not cover health services outside the U.S., you may want

to look into private health insurance — often less expensive overseas — or seek out a country such as Mexico, which allows those holding permanent residence visas to buy into its national health plan. Make sure your coverage remains on par with your options at home; if not, you need to budget for the possibility of traveling back home for certain medical procedures. For that you may need supplemental medical evacuation insurance.

## **Making Financial Sense of Life as an Expat**

Once you have settled on a location it's time to run the numbers and determine if and how you will make financial sense of life abroad. Will a low cost of living offset high property values in a popular topical destination? Can you legally work as a consultant or run a business as an expat? What about tax liabilities? It's best to sit down with your trusted retirement planner and/or financial advisor to make a detailed plan for spending and managing your money while living in a foreign country.

## **The Real Cost of Living**

While you may be able to afford a beachfront hacienda in Costa Rica for far less than what you would pay in Florida, you need to consider other factors affecting your daily budget. For example, it will cost you to move your belongings or buy all new furnishings. There is the cost of groceries, heat, electricity, phone and internet services. Then you need to factor in the cost of local transportation — can you both survive on public transport, will cheap bikes be fine for monsoon months or will you need to buy a new car? In that case you will need to factor in the cost of fuel.

Do your research and try to get as accurate an idea for the cost of living so you can devise an accurate budget plan. If you visit, consider renting a home to experience living as a local and ask other expats how they find themselves spending or not spending money.

## **Opportunities for You or a Spouse to Earn Income**

Many retirees hope to continue work or start a second career; do you know how living abroad will affect your (or your spouse's) employment opportunities? Perhaps you want to open an eatery, sell your art or start an import/export business. You will need to know whether you are allowed to work as a U.S. citizen in a foreign country.

A quiet beach cottage may be attractive, but it may not be sensible if you need to keep working to afford a nice retirement. Even for those who find that working as a consultant over the internet is a flexible and lucrative way to earn a part-time income, working abroad can be difficult. Your budget will need to account for a consistent access to electricity and internet services, not to mention fees and issues associated with receiving payments; this isn't always easy in remote locations.

## **Tax Advantages and Liabilities**

Just because you live in a foreign country does not mean you are not responsible for both local and US taxes. The IRS taxes U.S. citizens on income no matter where they live, as well as laws to

collect income tax from retirees who move their assets to a foreign country. Even if you relinquished your citizenship, you could be liable for income tax as a nonresident alien.

Thankfully, a number of countries, such as Mexico and Canada, have treaties to ensure you are not double taxed. Still, you will want to work closely with a tax professional to avoid audits and over payments.

## **Managing Your Money**

Technology has made it much easier for expats to conduct routine financial transactions. However, most expat retirees choose to leave the majority of their assets in the U.S. while opening a local bank account for everyday expenses — avoiding most currency exchange and withdrawal fees, as well as potential economic or political risks to their nest egg.

Work with your team of trusted financial advisors and legal counsel to ensure that you hedge against currency fluctuations and set up a new budget around potential cash flow issues. This will entail planning for retirement account withdrawals and automatic transfers for everyday expenses, as well as communicating with parties when credit cards are accidentally frozen or stolen, etc.. Finally, you will want to review your important legal documents — trusts, wills and powers of attorney — to ensure they are enforceable and/or subject to local estate tax rules in your destination country.

Any American with foreign bank accounts exceeding \$10,000 will need to file specific forms with the U.S. Treasury. The reporting requirements may also extend to some retirement-savings accounts, foreign life insurance with a cash surrender value, foreign annuities, and foreign mutual funds that are held directly (rather than through a brokerage account). Experienced financial advisors can help you avoid penalties and comply with these various financial and legal obligations.

## **Living the Retirement Dream Abroad**

If it has always been your dream to retire to a relaxing life in a foreign country, then take steps to devise a clear financial and legal plan for living abroad. Set your goals, get your family on-board and consult with your trusted financial advisor to ensure your finances are up to the task. Protect your nest egg for a successful and long retirement.