

# When foreign shores beckon

Retiring abroad has its charms. But it can also be tricky—and fraught with financial risk. Here's what you need to know. **BY ELLEN HOFFMAN**

**L**OOKING OUT FROM HIS UPSTAIRS patio early one morning last October, semi-retiree Leigh Zaremba saw a column of police and military troops marching up the street. The soldiers approached his vacation house in Punta Banda, a development on Mexico's Pacific Coast, and posted a notice on the door saying that Zaremba no longer had a right to the house and the property on which it was built. "The whole thing was like a nightmare," he recalls.

Zaremba, 60, and his wife, Sherry, 57, were among about 1,000 people, mainly Americans and many of them retirees, who were forced out of their homes after the Mexican Supreme Court ruled that the official-looking, notarized land contracts they'd signed—in the Zarembas' case, 13 years earlier—were not worth the paper they were printed on. The Zarembas, who split their time between Villa Park, Califor-

nia, and Punta Banda, saved the 10,000-square-foot "dream house" they'd built by paying for their lot again, this time about 2.5 times more than the original price.

Even so, the Zarembas' claim to the property still may not be ironclad, and the other evicted Americans are even further from a satisfactory resolution. To date, the Mexican government has offered no compensation to any of them. Dennis John Peyton, a Tijuana, Mexico, attorney who represents some of the Americans in the legal fight, is seeking \$75 million in compensation for his clients through a legal process provided under the North American Free Trade Agreement.

The moral of the Punta Banda story, Peyton says, is that when you're buying property in a foreign country, the rules and the politics can change at any time. "There are no real assurances," Peyton says, "that even notarized, official-looking documents will be valid forever."

If you are nonetheless intrigued by the idea of living in a different culture and possibly cutting your living costs substantially, by all means investigate one or more of the destinations that appeal to you. But before deciding to move, experts say, you should spend at least six months there to make sure you know what you're getting into—culturally, socially, politically, and financially. Here are some points to consider.

**Cost of living.** There are numerous



*Ellen Hoffman is the author of The Retirement Catch-Up Guide (Newmarket Press).*

countries—Costa Rica, Mexico, Portugal, and Thailand are good examples—where you can enjoy many of the amenities of living in the United States but on a slimmer budget. When you're estimating the cost of necessities like shelter, food, and clothing, don't forget to add the cost of traveling back and forth to the United States if you plan to.

**Healthcare.** Unless you move to a place like Costa Rica or Portugal, which offer public healthcare to expatriates at reasonable rates, you may pay more for healthcare. That's because Medicare will not pay your healthcare bills when you're overseas. Two organizations that can help you find medical insurance overseas are the Association of Americans Resident Overseas at [www.aaro-intl.org](http://www.aaro-intl.org) (or call the group in France at 011-33-1-47-20-24-15) and Expat Financial at [www.expatfinancial.com/expathealth.htm](http://www.expatfinancial.com/expathealth.htm) (or call 800-232-9415).

**Access to your money.** With today's technology, U.S. citizens can collect their Social Security benefits and other income from almost anywhere in the world. In more than 30 countries, you can have your Social Security checks deposited directly into a local bank account. Alternatively, no matter where you live, you can have the money sent to a U.S. account at a bank or other financial institution and withdraw it either by ATM or credit card. International financial institutions, such as Amer-

ican Express, Chase, and Merrill Lynch, also offer these types of services. And if you use an online bank, brokerage house, or mutual fund company, you may be able to transfer your money between accounts via the Internet.

**Currency fluctuations.** As long as your income is in dollars, you'll be subject to changes in the local exchange rate. A strong dollar, as is the case now, will work to your advantage, while a weak one will diminish your spending power. For example, in the mid-1980s, the dollar declined significantly in much of Europe, and experts say it could happen again. One way to protect yourself against unexpected currency swings is to keep a bank account that will cover a few months' or up to a year's basic expenses in the local currency and the rest of your money in U.S. dollars.

**Taxes.** Simply moving out of the country does not excuse you from paying U.S. taxes. "In fact, if you become a resident of another country, you may have to pay taxes in two countries," warns Raoul Rodriguez, an international financial planner who lives in Portland, Oregon, and Mexico City and advises Americans on "cross-border" financial planning. A common rule is

## Hot spots for expats

The Social Security Administration reports that at the end of last year, about 400,000 beneficiaries were having their Social Security checks sent out of the country—to 150 different nations. Below are the six most popular nations, with the number of beneficiaries currently living there. The figures do not count expatriate retirees who have their benefits deposited directly into a U.S. account.

Canada	91,000
Mexico	50,000
Italy	35,000
Germany	27,000
United Kingdom	26,000
Greece	21,000

Rounding out the top 10 are the Philippines, Portugal, France, and Spain.

SOURCE: SOCIAL SECURITY ADMINISTRATION

that you are subject to a foreign country's taxes if you live there more than half the days of the year.

However, Tim Lenneman, a certified public accountant with Relocation Tax Services in Denver, notes that if you are subject to income tax in a foreign country, "you may be able to avoid the double taxation by taking a foreign tax credit on your U.S. income tax return." Factors that would determine your eligibility for the credit include the source of your income (foreign or domestic), the type of income (wages, investments, pension), and whether your adopted country has a tax treaty with the United States.

If you are not allowed a foreign tax credit on your U.S. tax return (this happens frequently with U.S. pensions and investment income) and you itemize, you can take foreign taxes as a deduction. Or, your adopted country may allow you to claim a foreign tax credit on its tax return for the U.S. taxes that you paid. In cases like this, you'll need expert advice from a professional who knows the tax laws in both of your countries. [NC]

## Resources for learning more

- **Expatriates on the Web.** To communicate with Americans living abroad, go to [www.expatsexchange.com](http://www.expatsexchange.com), [www.liveabroad.com](http://www.liveabroad.com), or [www.aca.ch](http://www.aca.ch).
- **Social Security.** To learn more about getting your benefits sent to you abroad, call 800-772-1213 or visit [www.ssa.gov](http://www.ssa.gov).
- **State Department.** For information on a variety of issues related to living abroad, call 202-647-4000 or visit [www.state.gov](http://www.state.gov).
- **Taxes.** Order these IRS publications: No. 54, "Tax Guide for U.S. Citizens and Resident Aliens Abroad," and No. 901, "U.S. Tax Treaties," by calling 800-829-3676 or read them online at [www.irs.gov](http://www.irs.gov).