

Retiring Abroad May Not Be Paradise

Many of today's graying expatriates are heading permanently offshore to stretch their nest egg. Jon and Gretchen Nickel, formerly of Portland, Ore., settled in Panama, where they say they can live like the rich without needing a big bankroll. Lee Harrison and Julie Lowrey, from Vermont, moved to Uruguay because the lower living costs allowed them to retire years early. Other expat retirees are seeking foreign adventure, cultural experiences and exotic travel, without having to board an airplane.

But retiring to a foreign land can present a number of challenges, from opening a local bank account to avoiding being gouged for services. And while many countries, from Belize to South Africa, offer inducements to attract foreign retirees, making sure you've got health insurance can be a big problem.

Moving abroad also means leaving behind family and friends, though Internet communications can shorten the distances. There can also be safety and security concerns, depending on where you end up.

"People go on a vacation and love the place and say 'I want to live here.' But that's very different than living there day to day and buying groceries and dealing with your finances," says Hugh Bromma, chief executive of Entrust Group, a financial-services firm that caters to many expat retirees.

Roger and Jennifer Miller retired to the Caribbean nation of Dominica in 2005, expecting that meeting residency requirements "would be a cakewalk, and it wasn't," says Mr. Miller, 61, a former analytical chemist in St. Louis. What's more, he says, "expenses you expect to be cheaper often aren't" because locals expect Americans have money and charge more for services. He says life in Dominica "is about two times more expensive than I was led to believe when we started asking around down here about retiring here."

No agency tracks how many U.S. retirees live overseas. The federal government requires no forms. To help start you in the right direction, here are some things you should consider before making a move:

Banking and Finance

Online banking and brokerage accounts make managing money easy from anywhere you can find an Internet connection. But working with local banks can be frustrating.

Mr. Harrison, a former project manager with power company Exelon Corp., first retired to Ecuador at the age of 49, before relocating last year to a \$160,000 beach house near Punta del Este, Uruguay, and a 1,000-square-foot apartment in Montevideo, Uruguay's cosmopolitan capital. In Ecuador, which uses the U.S. dollar as the national currency, he

could deposit dollar-denominated checks at his local bank, though they generally took three weeks to clear. But Uruguay uses the peso, and local banks don't accept dollar checks.

So, like many retired expats, Mr. Harrison operates his finances from the U.S. He maintains a Citibank account in the U.S. and wires blocks of money to Uruguay three times a year at a cost of \$45 per transaction. Other retirees also rely on local ATMs to tap their cash in the U.S., though fees for currency conversion and non-network ATM use can add up quickly.

Most retirees also keep their credit cards based in the U.S. Mr. Harrison says he buys lots of merchandise online "and American vendors generally don't let you use a foreign credit card." Bills also are paid online.

Opening accounts can range from simple to vexing. Mr. Harrison's bank in Uruguay "just wanted my passport. It was so easy." For the Millers, the process took weeks. They didn't bring any documents, and the Dominican bank they chose wanted letters of credit and references from the couple's U.S. bank.

Banks are trying to make some of these processes easier. HSBC PLC has revamped its Premier Account to help customers moving overseas arrange for bank accounts and mortgages in their new country. The bank also provides documents necessary for obtaining services such as a mobile phone, which often requires a local credit history. Charles Schwab & Co. has begun allowing its overseas customers, located in more than 200 countries, to establish standing letters of authorization so they can request with just an email that money be wired to an account abroad.

Health and Social Security

Social Security won't be much of a problem. The Social Security Administration will electronically deposit a monthly Social Security check in many banks around the world, though not all. Still, many expat retirees, to avoid challenges with local banking, have their Social Security checks electronically deposited into their U.S. bank, which they can then access online.

Health care is a bigger concern. Few U.S. employers offer health-care coverage to expat retirees, and U.S. carriers typically don't provide individual coverage to Americans living abroad. Moreover, the federal Medicare program generally doesn't cover costs outside the U.S. As such, many retirees either pay out of pocket or, once eligible for Medicare at age 65, return to the U.S. from time to time for care.

The Nickels bought a catastrophic health-care policy from a European insurer to cover them in case a pricey medical emergency arises in Panama. The policy costs less than \$2,000 a year, but kicks in only after the first \$10,000 in expenses. "I'm gambling at the moment that my health will hold out to 65," says Mr. Nickel, 62 years old. "Once I get

Medicare in three years, I'll be flying to Houston or Miami more often for my health care."

There is some good news. Health insurer Cigna Corp. a year ago rolled out a new insurance plan, covering health, dental and vision, that allows employers to extend health coverage to retired workers who move abroad. The plan currently covers about 200 retirees living abroad, but the insurer expects larger numbers because "we anticipate the trend to retire overseas will grow," says a Cigna spokeswoman.

Many retirees also say that basic health care in many parts of the world is very good and inexpensive. Many doctors are Western trained, and some local hospitals are affiliated with U.S. institutions. Hospital Punta Pacifica in Panama City, for instance, has partnered with Baltimore's Johns Hopkins Medicine International.

In some countries, retirees who become residents gain access to the national health-care system. Mr. Harrison, who just gained Uruguayan residency, is considering joining the national health plan. He says a friend recently joined and pays the equivalent of \$65 a month for coverage that includes hospitalization, doctor visits and prescriptions.

Measuring one country's quality of health care against another isn't easy, since so many variables exist. However, the World Health Organization's World Health Report 2006 (available at www.who.int) contains some statistical indicators to help compare health systems across various countries.

Still, for most major medical issues, "you probably want to return to the U.S.," because of superior medical technology in U.S. hospitals, says Robert Gallo, who founded Escapeartist.com, a Web site that offers information about overseas living. Internationalliving.com, to which Mr. Harrison is a contributor, also offers information on living overseas.

Housing

Some expat retirees rent property, others buy. The Millers bought land in Dominica and are building a 900-square-foot home with a big veranda in southern Dominica overlooking the Caribbean. The Nickels gutted and remodeled an apartment on the 24th floor of a Panama City apartment building and built a "very nice kitchen area" because they like to cook and entertain.

Taxes and Legal Issues

Many countries try to lure foreign retirees. Belize's nearly decade-old Retired Persons Incentive Act, for instance, allows retirees over age 45 to import their personal effects duty free, and to earn retirement income tax free. Countries from Italy to Panama to South Africa and Thailand offer a "pensioner visa" or "retirement visa" to Americans who can prove a certain level of monthly income. The visas can provide a variety of

benefits, such as automatic discounts on certain purchases and the ability to obtain a local passport.

Still, the Internal Revenue Service taxes Americans on income no matter where it's earned in the world. Tax regimens vary widely overseas, and you may or may not be subject to local taxes. Many countries have tax treaties with the U.S. to alleviate double taxation.

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