



WEALTH DESIGN GROUP

Retire Abroad? Yes, You Can



If you are one of the growing number of people who dream about retiring in another country—whether for financial reasons, family reasons or simply for adventure—you will be faced with a number of decisions. Just about every aspect of your life will be affected, from the type of home you live in to your diet and the language you'll speak.

Today, an estimated 400,000 Americans have retired abroad.¹ Financial, tax and investing considerations are of utmost importance, because they vary widely depending on where you choose to settle and whether you plan to keep a part-time residence in the U.S. Your financial advisor can play a central role in ensuring that you cover all the bases and refer you to specialists in overseas law and finance as necessary. Here are some financial considerations to think about:

Cost of entry

Most countries require that people seeking residency have a reliable income stream.

Many want to see verifiable income of at least \$2,000 per month, but this can change from country to country. Panama, for example, wants retirees to have \$1,000 per month, while the UK requires £25,000 per year (\$32,450 at the current rate of \$1.30 per British pound).²

Health care

Most people who decide to retire abroad maintain their U.S. citizenship for a key reason: Social Security. If you renounce your citizenship, you will no longer receive benefits. Even if you retain your citizenship, when you move abroad you lose Medicare coverage. Research your choices thoroughly, especially if you have health issues: many expats have access to fine healthcare in other countries, often for much less than they would pay in the U.S. even with Medicare coverage. Some countries allow retirees to buy into their national health plans and others require private insurance. Medicare Part A coverage will resume if a retiree returns to the U.S. Those who plan to live abroad part-time, however, should keep up with Medicare Part B premiums; otherwise, they will have to wait for the open enrollment period to re-qualify for coverage when they reside in the U.S.³

Real estate

Rules about owning property vary greatly from country to country. You will need to work with a professional who specializes in real estate law in your adopted country. In Mexico, a popular place for Americans to retire, foreigners can buy property in the interior, but not within 62 miles of any border or 31 miles of any coastline. To buy in a restricted area, property must be purchased by a bank on behalf of the resident and be held in a trust.⁴

Personal finances and taxes

These areas are as important as they are complicated. Some U.S. banks will not allow you to keep your account if you do not maintain a U.S. address. If you use a foreign bank, you will need to file a yearly Report of Foreign Bank and Financial Accounts (FBAR) with the U.S. Treasury if the value of your foreign accounts exceeds \$10,000 on any given day during the calendar year—or risk potentially steep penalties.

U.S. citizens must continue filing income Federal and state tax returns when residing abroad even if they have moved all your assets to the foreign country. You may owe yearly taxes in both the U.S. and your country of residence; many countries, however, have signed treaties with the U.S. to avoid double taxation.⁵ This is another essential detail to look into before you move.

Estate Planning

Trusts, wills and powers of attorney set up in the U.S. may not be valid in a foreign country. Your existing living will and health-care proxy may not be binding. The same is

true for your financial power of attorney. The person you appointed in the U.S. may not have the legal right to represent you in another country, even if it's a close family member.⁶

Retiring abroad involves a great deal of research and planning. Financial issues like these are among the most important to consider as you sort out where you want to spend the next stage of your life.

Footnotes:

¹ [USAToday: Growing number of Americans are retiring outside the U.S.](#)

² [FoxBusiness.com: Retiring Abroad? Here's What You Need to Know](#)

³ [Medicare Interactive: Medicare Coverage while Living Abroad](#)

⁴ [Kiplinger's.com: How to retire abroad](#)

⁵ [U.S. Department of State: Retirement abroad](#)

⁶ [Don't invest and forget: Retiring abroad? Don't forget to update your estate plan](#)

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