

The Lure of Living South of the Border



by Elaine S. Povich and Leah Dobkin



Tuesday, July 10, 2007 provided by



The first time Dwight Ford visited Panama City

two years ago, he was in for a big surprise. "I thought I would see guys pulling banana carts," he recalls. Instead, he found a thriving capital city and international banking center. "The value was staring me in the face." So was the prospect of a blissful retirement in a 31st-floor penthouse condominium overlooking the Pacific Ocean.

Dwight and his wife, Marciana Wilkerson, who lived outside Washington, D.C., put 10% down on two side-by-side condos selling for about \$440,000 each when the luxury high-rise was under construction. Today, the condos in the fashionable commercial district of Punta Pacifica are worth close to \$700,000 each. The couple plan to sell one and use the cash to pay off the other after moving in this spring. "We'll have no mortgage, and I get to choose my neighbors," says Dwight.

Seeking a year-round tropical climate and a relatively low cost of living, U.S. retirees are flocking south of the border. Panama, Mexico and Costa Rica top the list of the most popular retirement destinations in Latin America. Moving to Panama allows Dwight and Marciana to stretch an already comfortable nest egg even further. Thanks to the explosion in real estate values in the Washington area, they were able to sell their home of 17 years in Potomac, Md., for \$2.35 million in 2006, clearing \$1.3 million to invest in the stock market.

The couple expect to live quite comfortably on about \$10,000 a month in a country where the average cost of living is well below that of the U.S. American retirees living in Panama pay no tax on foreign-generated income and are exempt from property taxes for up to 15 years. They can import their cars and household goods tax-free and take advantage of an array of discount programs on goods and services, ranging from prescription drugs and health care to airfares, restaurants and movie tickets. However, retiring to another country doesn't excuse you from your U.S. tax obligations.

Once they settle in, Dwight and Marciana anticipate an active retirement filled with golf, tennis and some part-time work. Dwight, who gave up a full-time position in a stateside technology company, may continue running a consulting business serving some former clients. Marciana, a bilingual, U.S.-trained obstetrician who was born in Panama, may continue to practice at a Johns Hopkins hospital that recently opened near the couple's new home. If you're thinking about working part-time in retirement, investigate before you move whether your destination provides opportunities, and whether your visa will allow you to work.

A perennial favorite

Mexico has always been a popular Latin American destination for U.S. retirees. Patt Barrack, a former medical secretary, and her husband, Robert, a retired firefighter, are among the more than 155,000 Americans over 55 who call Mexico home. After reading a magazine article about retirees in Lake Chapala, 30 miles south of Guadalajara, the Barracks found a real estate agent on the Internet and paid \$236,000 for a three-bedroom house. A few months after selling their home in Lake Anna, Va., for \$325,000 in 2004, they moved to their new lakeside community, which is home to thousands of other American expats. "You can't beat the weather," says Patt, 65. "And you don't have the hustle and bustle you have in the States."

But even paradise can take some getting used to -- and not all surprises are pleasant ones. Most financial and international-living advisers caution against doing what the Barracks did: making a snap decision, buying a home and moving, all within a few months. Instead, they recommend taking a vacation in the country you have in mind, and then planning a longer stay, possibly renting in the off-season, to get a flavor of routine life. You may discover that a seemingly idyllic neighborhood is rife with crime.

Financial hurdles

Complicated tax laws and unfamiliar local customs can be a minefield for the uninitiated. Before you move, consult a tax attorney, accountant or financial planner familiar with international-living issues. One of the thorniest problems can be buying or building a home because some countries impose tight restrictions on land ownership. In Costa Rica, for example, if you build a house within 200 meters of the shoreline, you cannot buy the land -- you can only lease it from the government. And in Mexico, you're not allowed to own property along the coast. You can only buy the rights to the property. The deed to the land is held in a bank trust called a fideicomiso.

A reputable real estate agent can help you find property, plus a lawyer to sort through the legal morass. To find a foreign real estate agent, search www.realtor.org/international. It provides a list of 1,500 agents worldwide who have taken international real estate courses and have agreed to follow standards set by the National Association of Realtors. The agents' Web sites include photos and prices of properties.

Medical checkup

Health care should be another major consideration. Medicare does not reach beyond the U.S. border, and your former employer's retiree health coverage may not, either. The quality of medical care was a big factor for Elinor and Harvey Praver, who lived in Scarborough, Maine, when they decided to move to Puerto Vallarta, Mexico. Before settling on the coastal community, they had stayed several times at Costa Careyes, two-and-a-half hours south. The closest hospital was 70 miles away. Harvey, 67, a retired wholesale food company owner, had already undergone two surgeries

More from Kiplinger's Personal Finance:

· [Retire a Millionaire](#)[Retire a Millionaire](#)

· [Build Your Perfect Retirement Portfolio](#)[Build Your Perfect Retirement Portfolio](#)

· [Extreme Early Retirement](#)[Extreme Early Retirement](#)

before the move. "With medical issues, you don't want to be out in the middle of nowhere," he says. Elinor, 66, describes the American-designed Cornerstone Hospital in Puerto Vallarta as "state of the art."

Before moving, the Prawers bought a health insurance policy from a global company that specializes in issuing policies to Americans who live abroad. If you're between 60 and 65 years old, expect to pay premiums of about \$3,000 for a plan with a \$1,000 deductible, says Derek Patterson, a broker at eGlobal Health Insurers Agency (<http://www.eglobalhealth.com/http://www.eglobalhealth.com/>). If you have a serious pre-existing medical condition, your premiums can cost as much as \$13,000 a year. Be sure the policy includes coverage for medical evacuation. For minor medical problems, you can use the local health-care system.

Just your style

Whether you're looking for a quiet retreat or an active lifestyle, you're likely to find a community south of the border to suit your needs. Six years ago, Pam and Mike Ellsworth, from Little Torch Key, Fla., retired to Nosara, a cattle-farming community in Costa Rica. Before their move, Pam, 55, managed a boutique, and Mike, 60, was a custom-cabinet maker. They bought and rehabbed a one-bedroom house, which is within walking distance of the ocean. The Ellsworths love the natural environment and the stimulation of an international community. "I have more time for reflection," Pam says. "Costa Rica allows me time to relax and to stop keeping up with the Joneses."

If you want a lot more action and a lot less rusticity, you can buy one of 400 units at Luma

(<http://www.lumaliving.com/http://www.lumaliving.com/>), the first U.S.-developed active-adult community in Mexico, located in Paradise Village, 30 miles north of Puerto Vallarta. The first apartments, with designer kitchens and 13-foot ceilings, are scheduled to open in the fall of 2008. Beachfront common space will include a café and bar, an exercise room and a pool. Concierge service will make restaurant reservations and find live-in personal help. A shopping mall and restaurants are just steps away.

Luma will be built as a partnership between Front Porch Development Co., a **nonprofit** developer of senior-living communities in the U.S., and Grupo Krone, a Mexican real estate development company. If you're 50 or older, you can reserve a unit ranging in price from \$400,000 to \$1.2 million through Prudential California Realty. "While this is primarily a community of Canadians and Americans, we will have touches of Vallarta everywhere," says Lee Ratta, Front Porch senior vice-president. "Luma has all the advantages of a Mexican lifestyle and the convenience of American-style living."

Just like home -- almost

You don't have to move to an American luxury community, such as Luma, to find many of the conveniences of home in Latin America. As the number of expatriates grows, big-box stores, such as Wal-Mart and Costco, show up in enclaves where Americans live. Satellite and cable television bring news and entertainment into expats' homes, and the Internet is readily available for information and online shopping.

Although the leisurely pace of Latin America is attractive, the laid-back attitude can be frustrating when it comes to getting your house repaired or your mail delivered. "There is still a bit of a 'mañana' attitude here," says Bill Fisher, 63, who used to live in Austin, Tex., and now lives in San Miguel de Allende, in central Mexico. "To pay a phone bill, you have to stand in line." He and his wife, Judy, rented in San Miguel for two years before buying. "Wherever you're going to retire, you need to be in love with the place," he says. San Miguel, a vibrant arts center, reminds the couple of what Santa Fe was like a decade ago. Household help is cheap, so the Fishers employ both a maid and a gardener. There's no way they could afford that back in the States. But mail service is slow and unreliable. Many Americans avoid the problem by having their mail sent to a U.S. address, then trucked across the border to Mexico and delivered to a local Mailboxes Etc.

The law of supply and demand is alive and well in Latin America. As increasing numbers of Americans move south, housing prices are rising. But in many cases, services and infrastructure can't keep up, resulting in occasional water shortages, poorly maintained roads and long waits -- of months or years -- for telephone lines. Cell-phone service is spotty in some areas.

Copyrighted, Kiplinger Washington Editors, Inc.

<http://finance.yahoo.com/real-estate/article/103206/The-Lure-of-Living-South-of-the-Border>