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GLOBAL PERSPECTIVES

TO LOCAL, INTERNATIONAL & LIFESTYLE REAL ESTATE



CIPS

Certified International Property Specialist

> OVERSEAS RETIREMENT

LIVING THE GOOD LIFE IN ANOTHER LAND

Who hasn't dreamed at some point in their adult lives about retiring in another country? You're on vacation in Italy, the Caribbean, Mexico, Ireland—wherever your favorite place is—and you're struck by the pleasant climate, friendly people, relaxed atmosphere or beautiful surroundings. While you're in the town square you stop and window-shop for properties in a real estate company's storefront. Then you go home and put the dream on a back burner.

But times are changing. Today, more and more people are taking the plunge or seriously considering retiring abroad. Canadians and Europeans have been doing it for decades. Retired Canadian snowbirds and Brits have been buying homes in Florida for a long time. Northern Europeans have long been attracted to the climate of the Mediterranean.

More Americans are also jumping on board, partly because they don't think they'll be able to stretch their retirement savings to maintain their desired quality of life. The good life with less expensive health care may be more affordable south of the border or in other ports of call.

This issue of *Global Perspectives* looks at retiring abroad from a global perspective. You'll learn about the major trends and what is driving them, the ways in which developers and countries are courting retirees, and the top international retirement locations. You'll also learn more about how to go after this business. So kick back and get comfortable while we look for paradise. 🌍



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TWO TICKETS TO RETIREMENT PARADISE

Retirees settling abroad are predicted to be one of the fastest growing segments in the overseas property market. As with most trends, this one starts with significant demographic and economic changes that have taken place in recent years.

The world is aging

The number of people retiring is driven by demographics, and those numbers are almost staggering. The U.S. Census Bureau estimates that 8.2 percent of the world population is presently over age 65. That number is expected to more than double in the next 40 years, reaching 17 percent by 2050. By then, there will be 1.5 billion seniors worldwide.

Developed countries are aging the fastest, so to speak. Japan currently holds the top spot (in terms of the highest percentage of seniors) followed by Europeans. In 2010 over 15 percent of Europe's population was over age 65, but that figure is expected to reach 25 percent by 2040. In the U.S., the Baby Boomers are entering their senior years, representing 13 percent of the population as of the 2010 census.

In terms of sheer numbers (instead of percentages), China already has the most seniors. But their ranks are expected to swell even further within 40 years, when 500 million citizens will be over 65, accounting for 35 percent of the population. For China, the one child rule has resulted in a disproportionately smaller younger generation.

Why retire abroad?

Climate and lifestyle have always been major factors in selecting a retirement destination. To many, it's the reward at the end of a long career and a lifetime of saving.

But the world economy has also made an impact. A growing segment of workers are delaying retirement or cannot afford to retire where they currently live. In many countries, workers' confidence in their ability to maintain their present standard of living throughout retirement is low.

According to a 2013 Employee Benefit Research Institute survey, 49 percent of American workers doubt their ability to afford a comfortable retirement. In the U.K. that number is 70 percent, according to a 2012 survey from the National Association of Retirement Professionals. Many are asking, can I live better and cheaper elsewhere?

On the other hand, there are nations in which the middle class has emerged from the recession comparatively better off than some neighboring countries. By moving abroad, their seniors can raise their standard of living. For instance, Canadians' buying power in the U.S. has improved greatly in the last ten years. Likewise, Scandinavians have become more active buyers in southern Europe. They are the fastest growing group of investors in Spain and are snapping up properties in France, Italy and Portugal, as well as Florida, Brazil and Thailand.

A growth industry

The need for highly affordable retirement housing with Western amenities has not gone unnoticed by international developers and nations with a warm climate and low cost of living. With the help of the Internet, an industry has grown around the marketing of foreign, low-cost destinations as an antidote to the expense of retiring at home. Supporting factors:

- *Retiree visa programs* are offered by countries trying to attract foreign retirees, including special visas, tax breaks and discounts.
- *International developers* are building resorts and gated communities in coastal areas and in temperate zones further inland targeting retirees and buyers of second homes, offering activities like golf and ocean sports, security, on-site shopping and health clinics.
- *Marketers* are targeting a growing segment of budget-minded retirees. Most use the Internet to reach Boomers through websites and newsletters, or invitations to on-site "conferences."



Where are people moving?

Retirees will often base their destination decisions on their lifestyle needs. Some prefer the convenience of a planned resort community, where the amenities and activities are onsite, hassle-free, and familiar. Then there are more adventurous seniors who will move to untried locations, usually for the culture or the lure of getting a great deal and an ultra-low cost of living. These buyers may prefer to purchase or rent standalone property over a planned development.











TRIED AND TRUE DESTINATIONS

✔ **Mexico** is the most popular foreign retirement destination for Americans and Canadians. It also draws affluent retirees from other countries in Central America. Expatriate English-speaking communities arose in the 1940s in San Miguel de Allende and the Lake Chapala region as inexpensive havens for writers and artists. When federal property ownership laws were relaxed in the 1990s, investors rapidly developed Puerto Vallarta, Cancun and Los Cabos into premier resort and second-home areas.

✔ **The Caribbean** has drawn affluent retirees from the U.S., Canada and Europe for many years because of its ideal island-paradise style of life. Europeans are familiar with the islands that were or are still territories of France, the U.K. and the Netherlands, and where English, French and Dutch are official languages. Favorite retirement spots include the U.S. and British Virgin Islands, St. Maarten, Martinique and Aruba.

✔ **Costa Rica** decided to start courting international retirees in the 1970s, establishing a *pensionada* visa program with easy-to-meet requirements, tax breaks and generous discounts on travel, dining and entertainment. Costa Rica is a nation with multiple microclimates, so retirees could find tropical areas for beach life and cool mountain rain forests for moderate year-round temperatures. Property remained inexpensive for many years, but as communities of American and Canadian

TOP TEN COUNTRIES WHERE AMERICANS RECEIVE U.S. SOCIAL SECURITY BENEFITS

Rank	Country	#Recipients
1	 Canada	111,492
2	 Japan	56,297
3	 Mexico	54,843
4	 Germany	40,230
5	 United Kingdom	35,669
6	 Italy	31,682
7	 Greece	23,996
8	 France	14,673
9	 Australia	11,912
10	 Spain	11,860

Source: U.S. Social Security Administration, August, 2013

retirees grew larger, prices also increased. More recently, the visa program has been modified, eliminating many of the senior discounts and raising income requirements.

✔ **In the United States**, Florida and Arizona have long attracted Canadians, Brits and other Europeans, though most only stay in the U.S. for half the year due to visa restrictions. The collapse in property values in these markets has generally made homes more affordable to foreigners.

✔ **Mediterranean** countries have long been the stopping point for Europeans, particularly citizens of northern climates, as well as affluent citizens from around the world. Southern France, Italy, Greece and Cyprus offer warm temperate climates with upscale beach resorts. That said, the economic crisis in the European Union has cooled demand, with set-backs particularly noticeable in Greece, due to its economic fragility, and in France, where high taxes have been imposed upon the wealthy.

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TWO TICKETS TO RETIREMENT PARADISE

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EMERGING RETIREMENT HOT SPOTS

✓ **Panama** seems well positioned to be the next Costa Rica. Its *pensionada* visa program has a relatively low pension income requirement of \$1,000 per month. Property there is inexpensive, English is widely spoken and retirees get a 25 to 50 percent discount on transportation, entertainment, hotels, and even discounts on health care. Panama uses the U.S. dollar as its currency, so there is no exchange rate risk for Americans. The village of Boquete is popular for its slow lifestyle, mountain climate and inexpensive living. Several amenity-rich planned communities are under construction in areas outside of Panama City.

✓ **Nicaragua** is also vying for budget-minded retirees. Their senior visa program has one of the lowest pension requirements in the world (\$600 per month resident, \$750 per month renter) plus significant tax breaks on bringing possessions and cars into the country. "Nicaragua has recognized tourism and pensioners as the fastest-growing opportunity in its markets," says Kent Payne, Vice President of Sales at Gran Pacifica in Nicaragua. "The country is an untouched tropical paradise where a couple can live well on around \$2,000 a month, including employing a maid and gardener." Several major seaside communities are in development featuring Western amenities and local health care.

✓ **Ecuador** is touted as the most affordable spot for retirement in the Western Hemisphere. Cuenca is an inland colonial-era city of about 330,000 that is also a Unesco World Heritage site. Retirees have access

to museums, the opera, ballet and other cultural activities. There are four excellent hospitals, and pensioners qualify for Ecuador's national Social Security health care system with very low monthly premiums. Seniors also receive large discounts on transportation and refunds on sales taxes. Its climate is moderate year-round.

✓ **Turkey** has a rich culture, beautiful beaches and stunning landscape. Though Russians lead the pack of foreign buyers, in recent years many British pensioners have found a home there due to the low cost of living. Brits and Americans claim that it costs about one-third of what it does to live in their home countries. Foreign pensions are not taxed. The currency is the Turkish lira, which has a favorable exchange rate relative to the dollar and the pound. In Istanbul, retirees can find properties for almost any budget.

✓ **Morocco** has become a popular retirement destination for Europeans. It's close to Europe and housing prices have remained steady and affordable. The cost of living is low, and Morocco's income tax of 10 percent is considerably lower than most European countries. Foreign retirees are primarily English and French, with a very small American expat community. Most major cities in Europe are just a short flight away.

✓ **Malaysia** makes it much easier to obtain residency than most other Asian countries. Through its Malaysia My Second Home program, foreigners can get a multiple-entry visa which is good for ten years and offers special tax status. MM2H visa holders are exempted from taxes on any foreign-sourced income including pensions, dividends and interest. Malaysian

property prices are high in Kuala Lumpur but reasonable in other areas. Excellent health care is available in major cities, and the price is so low that there is an active medical tourism industry. Other advantages include a low cost of living for a comfortable lifestyle, a world-class airport and excellent physical and technological infrastructure.

✓ **Thailand** has become a very popular retirement destination for Americans, Canadians and Europeans because of its low cost of living, excellent inexpensive health care, rich cultural scene and availability of reasonably-priced caregivers for the elderly. A Thai retirement visa is available for people over age 50 and requires a deposit of about \$25,000 in a Thai bank, or pension income of around \$2,000 per month. It must be renewed annually and visa holders must check in with authorities every 90 days.

The Thai cities of Phuket and Chiang Mai have international airports and large expatriate populations. Foreigners cannot buy land in Thailand but can purchase condos or rent apartments. Property values and rents are very low and the cost of living is approximately 70 percent less than in the United States. English is widely spoken in most major cities.

With more people concerned about their ability to retire comfortably at home and a rapidly aging world population, the overseas retirement market could skyrocket over the next 30 years. Destinations that offer an affordable lifestyle, desirable climate, modern amenities and good health care will be strong magnets for migrating seniors. 🌍



FINDING OPPORTUNITIES WITH OVERSEAS RETIREES

Over the next few decades, more and more retirees are expected to purchase property abroad for their so-called golden years. If you live and work in a prime retirement destination, you've probably already witnessed the trend. But if you're located elsewhere, are there ways to tap into the outbound side of this market? Here are some tips from professionals who know how this market works.



Where to start

Educate yourself as much as possible on the global retirement market with the intention of identifying a specific niche to focus upon. In overseas retirement, niches are typically based on destinations and/or the type of property. Since very few buyers in your local market are likely to relocate abroad, you'll have to look outside your immediate area to grow your practice.

Once you've narrowed your focus to a particular area, start planning your first visit to learn more and establish key contacts. Much of this legwork can be done by attending international meetings and conferences such as the REALTORS® Conference & Expo. (See the November 2013 issue of *Global Perspectives* for lots of networking tips and details on various events.)

At these meetings, ask other CIPS designees about people they know who are doing business in the country you're exploring. "By being actively involved in networking events, I'm always able to talk to people I know and trust," says Vanessa Falcon, CIPS with Jameson Sotheby's International Real Estate in Chicago. "It's

much better to develop relationships and work with other real estate practitioners that I come to know and trust and ask to be referred to their trusted connections for advice on legal and financial matters." Falcon also notes that it's not uncommon to find an expatriate agent from your own country who is selling overseas. Network through them to find more connections and hone in on an area that attracts foreign retirees.

Travel to investigate your destination

Before you begin assisting retiree clients outside your borders, it is important to have adequate knowledge and connections in that country. Make plans to travel and spend time in your preferred retiree market for at least a week but preferably longer. Set up meetings before you travel and ask local agents to show you representative properties, highlights of the city and local health care facilities.

Your buyers will need assistance in navigating legal, tax and other issues. Working through your connections, set up a day of meetings with local professionals who you may want to recommend to your clients. These should include tax advisors, local attorneys, notaries, bankers, title insurance agents and even property managers.

Expat retirees can also be a valuable source of information and advice for newcomers. Before traveling, visit and follow expat forums for your destination country to see what issues are being discussed. You could even contact forum members prior to traveling and make plans to meet them to get their first-hand perspectives on moving. Ask them about issues like health care, quality of life and personal safety.

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FINDING OPPORTUNITIES WITH OVERSEAS RETIREES

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Working with developers

Sometimes retirees are more comfortable moving to planned communities where they feel safer and have easy access to desired amenities. Many overseas retirement destinations already have planned communities or new ones in development, especially if retirees have been moving there for years.

"If you work with developers, make sure they are reputable and their financials are sound," says Falcon. "The project should already be funded, the building permits approved, and hopefully they can point to other projects on which they have established a good track record."

Second homes as retirement properties

Many buyers initially purchase homes overseas for vacation purposes. "Most people don't buy retirement homes. Instead, they buy second homes with the thought of potentially using them later for retirement," says Bill Clover, President of Panorama International, Inc. in San Antonio, Texas. "They split their time and possibly rent the property when they're not there." Second-home buyers may need the services of a property management company.

Educating potential buyers

Moving overseas for retirement may seem like the adventure of a lifetime, but it's a decision that must be made carefully. Emotions can crowd out factors that affect long-term happiness. Retiring abroad to live cheaply is heavily promoted in the news, online and in publications targeting seniors. You'll do your buyers a service if you draw their attention to important issues to consider before pulling up stakes and moving overseas.



Some topics to discuss:

- **Distance:** How do you feel about living far away from your family? Door-to-door travel times can be easily found online. For example, the shortest flight between Chicago and Cuenca, Ecuador is 11 hours with two stops.
- **Health care:** Is good medical care available and at what cost? Are there nearby clinics and an accredited hospital less than an hour away? "If a community does not have a hospital, there should be a Medevac service available," says Clover.
- **Language:** Will you need to learn a new language? Or do you prefer limiting your search to destinations (or specific communities) where you can easily speak your native language?
- **Weather:** Will you enjoy the weather during all seasons? Is the area vulnerable to extreme storms or other natural hazards?
- **Familiar faces:** Is it important to live among expats from your home country? Or are you more interested in making new cross-cultural connections?

Other important topics

Depending on their circumstances and where they'd like to move, your buyers may also need to evaluate these issues:

Second careers: If your buyer is interested in starting a small business, are they allowed to do so under the country's visa laws?

Tax considerations: Become familiar with the tax laws in the country(ies) you are focused upon, but also be able to refer your buyers to experts who can give professional advice since tax laws can make a big difference in the cost of living in one country over another.

Real estate practices: Some countries place restrictions on foreign land ownership, and in most countries real estate professionals are not licensed. It's important to deal with honest, reputable professionals who understand property law and transfer.



Covenants and restrictions: If your buyer is considering moving to a planned community or condominium development with rules concerning things like the age of residents, property maintenance, pets, etc. make sure they find these restrictions agreeable and advise an attorney review. (Be prepared to recommend someone with known experience in this area.)

Financing: Buyers should also know that financing to foreigners can be difficult or unavailable in other countries. In Latin American countries, for example, sales are traditionally conducted in cash, even for natives. The concept of borrowing via a mortgage is relatively new. In Mexico, however, financing is generally available, but your client should expect to make a substantial down payment.


Local and country-specific risks: Buyers will want to be sure they are moving to an area with low crime rates and political/economic stability. While every country can encounter economic swings and political shifts, you'll want to stay informed about such topics and be able to point your buyers to reliable sources for more details.

The rent-first option: Moving to another country is complicated and expensive. "If they have any concerns at all, people should rent before buying," says Falcon. "Undoing a move is difficult and under some circumstances unaffordable." Or, if a buyer has the resources, purchasing property as a second home before retirement gives them an even better opportunity to "test drive" life there.

Finding buyers

There may be a large number of Boomers approaching retirement age in your local market, but few of them will likely be considering an overseas move. How do you broaden your leads beyond your immediate geographic area? This is where online marketing skills become essential. Falcon offers the following advice:

- **On your website**, create an area focused on international retirement and second homes. Its content should be rich in relevant search terms. Make it educational, discussing not only the advantages of retiring abroad but also the pitfalls and concerns. (See earlier list for potential topics to include.)
- **Write a blog** that presents you as a trusted source of well-balanced information that stands apart from sites intended to "hard sell." Explain how the decision to retire abroad is complex and why expert advice can save time, money and heartbreak.
- **Conduct webinars** on different aspects of retiring abroad. Promoted online and archived on your site, webinars expand your reach far beyond your local market.
- **Social media** can also be an excellent way to extend your reach and make connections with others who share your interest in a particular destination.
- **Supplement your CIPS designation** with NAR's Seniors Real Estate Specialist designation, which offers education to help agents counsel clients ages 50+ through major financial and lifestyle transitions in relocating, refinancing, or selling the family home.

The role of the domestic agent in the international retirement market is evolving. Growing a niche in overseas retirement may require you to extend your reach far afield to find retiree and second-home buyers. It will definitely involve travel and on-the-ground networking in the region you promote. "The business model for this segment of the global market is still in development," says Falcon. "Abroad, it will be all about who you know and trust. Finding the buyers? That's the bigger challenge for most agents." 



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