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Money: Running Away to Retire

By Linda Stern
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March 14 issue - After a lifetime in Minnesota, Randy and Rhonda Berg turned their backs on frigid winters, work and the high cost of living in the United States. They sold everything and retired to Costa Rica in 2002, enticed by reports of cheap real estate and a laid-back lifestyle. "The first week was an eye-opener," says Randy, 58, describing balky real-estate agents, an Internet-touted house that was "an absolute disaster" and the urge to head back home. They stuck it out, and now he and Rhonda, 48, have the retirement lifestyle of their dreams, complete with a sprawling mountaintop property, a custom-built home and household help, all for less than \$2,000 a month. "There isn't anything that would entice me to move back," says Randy.

The Bergs are part of a trend that demographers say will only increase as baby boomers start cashing their Social Security checks: Americans retiring to other countries where the prices are low and the living is easy. Hot spots like Costa Rica, Panama and Belize look like Florida circa 1970: new developments, proximity to water, no snow and lots of hype. Numbers are hard to come by, but some estimates put 11,000 American retirees in Costa Rica, 2,500 in Panama and more than 100,000 in Mexico, which got an early start. But not all of them are as deliriously happy as the Bergs. Folks who pack up too precipitously can get stuck in a bad situation without the means to get back home. Here's how to do it right: Grab retirement deals while they last. Most of these countries offer special visas and tax breaks for Americans who can prove they'll live on retirement benefits or imported income. In Belize you can bring in a car, your household goods and your bank account tax-free. Panama hands new American retirees a property-tax exemption and steep discounts on everything from movies to surgery. But nothing lasts forever: Costa Rica curbed its special breaks for retirees when it became too popular a destination.

Get real about real estate. You can live in a nice place by the water, and you can live dirt-cheap. But not at the same time. Panama boasts homes in the \$150,000 to \$200,000 range, but if you want to be on the ocean, expect to start at \$300,000. And remember that you're buying property in a foreign country, where the procedures and laws are different. Most popular destinations have real-estate consultants who can walk you through the process. To get started, search online for Web sites that are populated by expat retirees already living in certain areas, like localgringos.com in Belize, and costarica-online.com. Ask the locals for recommendations.

Build surprises into your budget. Margaret Briggs, a Houstonian living in Belize, saw her property taxes rise from \$80 to \$800 overnight when the rules changed. Folks who retired to Spain in 2002, when 90 cents bought a euro, are not living quite so large now at \$1.30 per euro. And there are some expenses you might not have had in the United States. You'll have to buy health insurance (say, \$100 a month for a retired couple in Costa Rica), because Medicare doesn't pay in foreign countries. Some expats spend \$300 or more a year for emergency-medical-transport insurance (see aaro.org), to fly them back to a U.S. hospital if they have big trouble.

Don't forget the tax man. Unless you're renouncing your U.S. citizenship (a move that few make), you'll still have to pay federal income tax. Some countries will even tax your Social Security benefits, notes [Donald Walter](#), a Seattle CPA who earns his living preparing tax returns for expats.

Visit early and often. Even after you pick a country, you'll have to decide whether you want city or country life, an American-dominated gated community or an authentic small town. To help you choose, a host of companies, like panamaatyourservice.com or

liveincostarica.com, have sprouted, offering pre-retirement tours. It's sort of like a vacation—but you may end up staying forever.

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