



Greener Pastures

Why More Americans Than Ever Before
Are Leaving the United States

PASSPORT

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United
States
of
America

Published by:

Off The Grid News

www.OffTheGridNews.com
info@offthegridnews.com

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Expatriation: A Growing Trend

Americans working or traveling overseas are often surprised to discover they can live better for less in a foreign land than at home in the United States. Inevitably, many of them change their status from “visitor” to “full-time resident.” The *New York Times* cites a U.S. State Department estimate of 5.2 million Americans living and working abroad.¹ Emigration from the United States is a growing trend, with the 2 million who left in 1999 growing by nearly 4 million in 2009.² Most Americans who leave do not want to, or even plan to, give up their U.S. citizenship, preferring instead to be what the State Department calls “expatriates” or those who live outside their homeland. “Expatriate” can be a confusing term, because the IRS uses it in a different way—to lose nationality. Many “expats,” as they call themselves, have established residency in a foreign country or hold dual citizenship. Most do not give up their U.S. citizenship, ever. Or so they say.



A growing number of expat Americans are handing in their U.S. passports and renouncing their U.S. citizenship

Yet, a growing number of expat Americans are handing in their U.S. passports and renouncing their U.S. citizenship. The Federal Register, the daily activity log of the U.S. government published by the National Archives, has recorded a sharp rise in U.S. citizenship renunciations for two consecutive years. In the past, an American renouncing their citizenship was something of a novelty.

But not anymore. In 2008, the Register reported only 235 doing so. But in 2009, the rate nearly tripled to 743. And according to the Federal Register’s lists, 2010 saw a total of 1533 drop their citizenship, 397 alone in the last quarter.³ That’s a six-fold increase in just two years, and heralds a growing trend.

The motivation to live abroad depends on the individual and his circumstances. It’s a big step to leave familiar surroundings, family and friends, and head off to a new life in a foreign country, permanently dropping your United States citizenship. For many who grew up reciting the Pledge of Allegiance every morning in school, the idea is sheer lunacy. And yet, something is driving the expat trend. What is it?

That’s Where the Money Is

In today’s blighted economic landscape, there really are greener fields abroad. Many countries have fewer business regulations; little, simpler, or no income tax; and – especially attractive to some – fewer military entanglements.

According to the London-based HSBC banking corporation, 2010 saw American and other expats flourishing in such unexpected places as Russia and the Persian Gulf nations, with 36% of them earning \$250,000 or more.⁴ HSBC ranked Bermuda as 4th in expat income growth due in part to its thriving financial services and insurance business. Singapore, one of the largest port and financial centers in the world, was ranked 5th in HSBC's survey, but Bloomberg.com spotlighted its robust economy that expanded by 14.5% in 2010.⁵ Compare that to the United States' 3.1% paltry growth. While small island nations can't shake the world like superpowers, being lean and mean in a globally wired economy gives them an economic advantage that larger nations don't have.

Professional Opportunities

Americans also head overseas for professional opportunities. Working overseas allows expats to build their resumes in ways they can't if they stay at home. They're presented with unique challenges, such as learning to adapt to different cultures and problem solving, to bring their American employers into closer and more profitable relationships with their counterparts overseas. They also learn how to navigate the nuances of business in an environment where business is based on personal relationships and not solely on quarterly earning statements. An expat can build both his knowledge and the strong social networks that advance his career abroad and at home.

Of course there are drawbacks, such as homesickness. Overseas career assignments tend to be three to five years in length and being absent from home—especially if you're unable to take your family with you—can easily strain relationships. Some business expats are dismayed to find that their company doesn't quite know what to do with them once they return to the States. But overall, the expat working experience is a plus for today's mobile, entrepreneurial workforce. With their international experience, many expats are able to set up their own business ventures in smaller countries where they can parlay their connections and knowledge into big profits.

Choose Your Lifestyle

Lifestyle varies from state to state in the U.S. Living in New York is vastly different from living in Texas or California, and each location has its pros and cons. Lifestyle is a big draw for Americans looking to move overseas too. While financial and business opportunities abound in an economic powerhouse like Bermuda for example, it's still a small island. Everything, from food to lumber and clothing to concrete, has to be shipped in, adding to the cost of living.

Conversely, there are many cities and towns that lack the finance and business intensity but still offer reasonable economic opportunity and a cheaper cost of living. There are also other considerations. Indeed, HSBC observed in its survey that “career prospects and quality of life don’t go hand in hand for expats,” noting that Russia ranked 24th out of 25 countries for quality of life. One helpful yardstick is Mercer Consulting’s Quality of Living ranking, which looks at 320 cities worldwide and evaluates them according to 10 categories and 39 criteria. These include political/social, social/cultural, economics, health, education, natural environment, public services, recreation, consumer goods, and housing.⁶

Sadly, not one U.S. city made the top 30 for 2010 Mercer’s Quality of Living rankings. Vienna and Zurich led the pack of mostly Austrian, Swiss, and German cities. Of course, these cities are in Europe, where the draw is the rich history and culture, not to mention the scenery. The drawback? Europe also tends to be expensive, complicated, and highly regulated.



While Vienna ranks highly for its rich cultural heritage, it’s not for expats seeking a low cost of living and less regulation.

Ask Yourself This ...

If you’re considering working or living abroad, you’ll need to consider your circumstances and what you are looking for. If you’re heading overseas for your company, you’ll need to prioritize with your job in mind. You’ll also have other considerations if you are planning to retire or are just relocating. Are you looking for a lifestyle that lets you indulge your interests in sports and cultural interests? For example, will a beach house in Cozumel, Mexico allow you to pursue your passions for skiing and opera? Are the locals friendly to foreigners? Are you looking for a cosmopolitan atmosphere, something more laid-back, or a combination? What services (Internet, cellphone, cable TV) are available there? Can you afford to live there? If you’re going to start a business, what hoops do you need to jump through to make it happen? What about healthcare? Do you or your spouse have health problems that could improve or worsen in a particular setting? Is there suitable medical care available nearby?

These are questions only you can answer. The way to start is by researching, of course, but once your ideas start taking shape, there’s no substitute for a visit. One easy first step? Contact the country’s tourist board for more information.

Exhilarating Challenges

Many expats enjoy the challenge and the novelty of making a life for themselves in a new environment. They experience new frontiers for personal development in societies that they find to be more engaging and vibrant than back in the States. Meeting the locals and other involved expats provides for a richer, more dynamic expat experience.

The most common challenges for expats? Learning the local language. Even though there always seems to be someone around who speaks English, it's better to learn the language instead of having to rely on an interpreter (who may not have your best interests at heart, no matter what you pay him). The Internet abounds with blogs and discussion boards that detail the first-hand experiences of expats. One such example is Misty, a woman who moved from Iowa to Umeå, Sweden with her scientist husband. Neither of them spoke any Swedish. Consequently, she took advantage of free evening courses at a local university to learn Swedish.⁷ Julie Butler at *Expatriate Daily News*, an online expat blog, has a complete list of reasons to learn the country's language, but the two most practical ones that stand out are these⁸:

- ☑ You'll make friends more easily.
- ☑ Learning the language will help you avoid being taken advantage of.

One of the smartest things an expat can do is to learn the *unspoken* language of local customs. Singapore, for example, has many religions (Islam, Buddhism, Taoism, Hinduism and Sikh). Because many of these discourage men and women touching in public, American women should expect men to bow their head in greeting rather than shake hands. Conversely, in the Middle East, don't panic if a friend "pecks" you on the cheeks when greeting you. This is a traditional Arab way of displaying welcome and affection. Hungarians, meanwhile, greet nearly everyone with cheek kissing. Different cultures have different zones of personal space. Greeks like to stand closer, about arm's length or 16 inches, along with touching while speaking. Since most Americans prefer about 24 inches of personal space, learning to shrink this bubble can be a stressful ordeal.

But learning how to say "hello" and whether you should shake hands, bow, or embrace new people is only one small step in making a life for yourself overseas. Rather than staying isolated and alone, successful expats engage themselves in their surroundings and discover their role in their newly adopted community. Here's how Randall Wood, a development program manager living in the West African nation of Benin, summarizes his 3-year-experience:

*"I've drunk whiskey with kings, been the victim of a mob throwing coconuts, surfed a couple of decent waves, and rubbed elbows with a culture that three years later, I still barely know and perhaps never will. This is, of course, the thrill of travel and of living in a foreign country."*⁹

Fed Up, and Not Taking It Any Longer

While all of these reasons attract people to live in other countries, there are many frustrations that drive people away from the United States as well. Some expats complain about the U.S. rat-race: rampant consumer materialism, the rising cost of living, the vanishing opportunities, the falling wages, reliance on fast food, and parents unwilling to parent their children. Jeff Parker at ExpatYourself.com lists the larger frustrations succinctly: rising taxes and fewer services, disappearing personal liberties, a sick health-care system, spiraling national debt, and multiple wars.¹⁰ "The frustration that's particular to the U.S. is what will keep us forever away," he said.

Regardless of the label, many expats cite the problems at home as too deeply entrenched and too big to be fixed painlessly or anytime soon.

The Taxing Life of Americans Abroad

***"I'd tax all foreigners living abroad."
-- Monty Python's Flying Circus, 1970***

Once American expats are abroad, what is pushing them to give up their citizenship? According to the Financial Times of London, "At the U.S. embassy in London, there is a waiting list that none of the officials likes to discuss. On the list are Americans hoping to give up their citizenship as they seek shelter from the Internal Revenue Service."¹¹

It's galling to many expat Americans that they must still pay U.S. income tax. If you are an American citizen living and working overseas, you must file an income tax return with the IRS every year—even though not one single euro, ruble, real or yuan that you earned ever touched American shores.



Many Americans who live and work overseas are dismayed to discover they may face double taxation.

It's as if the U.S. Congress thought Monty Python's line about "taxing all foreigners living abroad" was just and sound financial advice.

To be fair, some of the tax structures seem reasonable because many countries have taxes of some kind to fund their government, whether it's an income tax or a national sales tax. The United States maintains tax treaties with 42 nations in order that American citizens living abroad are not taxed twice. The U.S. tax code incorporates several exclusions that allow taxpayers to exclude foreign income as the employee of a foreign country or for being self-employed. However, international treaties are not perfect agreements and no two are the same. What can be deducted in one country might not be allowed in another ... all of which makes the already convoluted U.S. tax code even more arcane when an expat looks at their tax obligations to two nations. Despite the U.S. Congress' best intentions, though, American expats still face double taxation.

The non-profit, non-partisan organization, American Citizens Abroad, made the argument last year to the U.S. House Ways and Means Committee that Americans living and working overseas face double taxation by both their host country and the U.S. government.¹² Examples in their report include:

- ☑ Sales taxes (called "value-added taxes" or VATs) used by host countries to raise revenue are not deductible on U.S. tax returns.
- ☑ The IRS requires income to be reported in U.S. dollars, but with the value of the U.S. dollar declining against other world currencies, American expats find their incomes being artificially inflated.
- ☑ The recently passed Foreign Account Tax Compliance Act (FATCA) requires American expats with foreign financial assets in excess of \$50,000 to report those assets on a new Form 8938. So, if you have a savings account or own stocks in a foreign company or other such assets, you must report those. Because of FATCA, foreign banks will refuse to maintain investment accounts for their American expat customers unless they are ready to pay the high fees the banks will charge them.

Of course, this onerous obligation to the IRS goes away once you are no longer a U.S. citizen.

Remember the 1,533 American expats who became ex-Americans in 2010? These numbers don't tell the whole story. The actual numbers of Americans renouncing citizenship is much higher. The law mandating Federal Register reporting by the Treasury Department (Section 6039g) applies only to "covered expatriates" (individuals who have a net worth exceeding \$2 million) which makes them subject to an exit tax.¹³

Those whose worth is below the \$2 million limit quietly go their own way without any fuss. To get an idea of how many that might be, consider a 2010 study in the *International Business Times* that showed the number of millionaire U.S. households rose from 5.14 million in 2009 to 5.56 million in 2010.¹⁴ The study defined millionaire households as those with \$1 million or more in investable or liquid assets (excluding sponsored retirement plans and real estate).

If just one half of one percent of these millionaire households renounced their citizenship, that would add up to over 250,000 ex-Americans each year. We'd never know about any of them if their net wealth is \$1,999,999 or less.

Are the real numbers that high? Since the information at this earning level is not tracked, it's impossible to know—but it is possible. All the same, at the very least 1,533 American expats had good reason to drop their U.S. citizenship last year—taxes.¹⁵

Fees and Taxes Due at Checkout

Previous laws regarding citizenship from a hundred years ago made it clear that Americans had to spend a set amount of time residing in the United States. That has since changed. Whether you are interested in renouncing your citizenship or not, it is important to know that the choice is an option.

Renouncing your citizenship is not as easy as handing in your passport at the nearest U.S. post office and reciting the Pledge of Allegiance backwards. Because this is a serious matter, you must apply to officially renounce your U.S. citizenship.¹⁶ It must be performed in a foreign country at a United States consulate office. Broadly speaking, the process will take months or even a year or more. You will need to set up an appointment with a consular official in charge of renunciations. When you meet with the consular official, you will need to prove identification showing that you are over 18 ½ years old. It also smoothes things out if you can show your taxes are in order. Another help is to show you hold a passport or citizenship from another country. If you renounce your U.S. citizenship without residency or citizenship established in another country, you face being stateless and would therefore lack the rights and privileges of that country.

First, you have an interview with a consular official and then schedule a time a few months forward for the renunciation ceremony. The time interval is meant to allow you to reflect on what renunciation means. You will need to sign an Oath of Renunciation and a Statement of Understanding. At the conclusion, your application will be sent to the U.S. Department of State for approval. You will also be given tax forms, including IRS Form 8854.

Your renunciation will not be effective until the application and tax forms are filed with the Department of State and the IRS. (And then the consular official will ask for \$450 to pay for consular processing fees.)

The IRS Expatriation Tax is an exit tax an ex-American pays when they renounce their citizenship.¹⁷ This tax is covered on Form 8854. Under the rules for Section 877A of the Internal Revenue Code, the exit tax applies if:

- ☑ Your average annual net income tax for the 5 years ending before the date of expatriation or termination of residency is more than a specified amount that is adjusted for inflation (\$145,000 for 2010).
- ☑ Your net worth is \$2 million or more on the date of your expatriation or termination of residency.
- ☑ You fail to certify on Form 8854 that you have complied with all U.S. federal tax obligations for the 5 years preceding the date of your expatriation or termination of residency.

Your net worth is calculated based on the fair market price, defined the following way: "All property of a covered expatriate is deemed sold for its fair market value on the day before the expatriation date." This would include your house in the U.S., your house abroad, cars, stocks, and other assets minus your liabilities. If your net worth puts you at \$2 million, you are a covered expat who must file a Form 8854. In addition, your name will be reported in the Federal Register.

Facts & Myths About Renouncing Your Citizenship

Myth: If you renounce your citizenship, you will not be allowed to re-enter the US.

Fact: As a non-citizen, you will need to get a visa in the same manner as every other person in the world who wants to visit the United States. Multiple-entry tourist visas are good for 90 days per visits. These can be extended through application, or simply by exiting and re-entering the country at a later date. And avoid staying too long. After four months, a non-resident foreigner is subject to tax on their worldwide income!

Myth: If you renounce your citizenship, you will forfeit your Social Security.

Fact: That money is yours. You earned it and it will be sent to you no matter where on the globe you live. The same goes for Medicare. However, Medicare can only be redeemed by having medical treatment in the U.S. As small as that amount may be in future years, the trip might not be worth it.

Myth: If you renounce your citizenship, you will be required to file IRS returns for ten years.

Fact: Nope. You file a Form 8854, pay any required Exit Tax and you are outta here!

Myth: If you intend to renounce your citizenship, you will be required to justify your decision to a consular investigator.

Fact: There is an interview to discuss your decision and make sure you are aware of the risks of being stateless if you do not yet have citizenship or residency from another country. You sign an Oath of Renunciation, a Statement of Understanding, hand over your passport, and then pay the \$450 consular fee.

Remember, failure to file a form 8854 carries a \$10,000 penalty. Currently, the IRS is sending notices to would-be ex-Americans who have not filed their Form 8854 requirements and is imposing the \$10,000 penalty. (Whether or not they can collect from someone who has removed all their assets from the country is another question entirely.)

Adopting A New Home

“I have no idea why anyone would want to do this! You’d be leaving a country where you have freedom, 21st century technologies, ice and refrigeration, clean running tap water, sanitation, good health care, and a multitude of other wonderful amenities that you’re not going to find in any other country in the world. You would be down-sizing your entire life completely and drastically.”

That was one poster’s reaction in an online forum to an American saying they wanted to move overseas.¹⁸ Basically, it reveals two things about some of our fellow Americans. One is that they view the entire world beyond our shores as non-democratic, backward, unsanitary, impoverished, and probably lacking even the most basic cable TV. The other is that it shows (materially) exactly what Americans expect to have as part of their lives. The expat mindset is very different from the one displayed by the poster mentioned above.

Americans settle all over the world. Almost every country has an American expatriate community. Which are the most popular? It’s hard to say exactly, because whenever the U.S. State Department tries to get a number, the expats (and some foreign governments) generally don’t respond to their surveys. Some websites, like Expatify.com, have devised their own survey criteria to gauge popularity.¹⁹ They ask basic questions like, “Is the local culture open to American values?”, “Is there already a thriving community from the U.S. there?” and “Is it easy to find a job and is it affordable?” Forbes, meanwhile, cites HSBC survey results for the world’s friendliest countries (a sampling of 4,127 expatriates in more than 100 countries between April and June 2010).²⁰ Forbes identifies an expat’s chief concerns: “re-establishing a social life (41%), feeling lonely and missing friends and family (34%, especially among women).” Not surprisingly, countries where English is the primary language tend to rate highly. Interestingly enough, while cities like Singapore and Hong Kong didn’t rank well in community integration and befriending locals, they both have big, well-organized expat networks with English speakers from all over the world. This kind of network can help cushion even the most timid American until they are ready to wade out into the host culture by themselves.

Keeping all that in mind, there are some countries that are clear expat favorites.

BRICs: More Disposable Income, But More Culture Shock

“BRIC” stands for Brazil, Russia, India, and China. The term “BRIC” was first coined in 2001 by the economist Jim O’Neill (who currently works for Goldman Sachs) to describe the world’s four major developing economies. Among expats, economic growth is their chief allure. HSBC’s Expat Explorer survey data shows that most expats in BRIC countries “...were likely to see increased career opportunities within their host country (64% overall compared with Russia, 82%; India and China, 70%).”²¹ Expats also “agreed that their disposable income levels were much higher since relocating to a BRIC country, which has enabled them to both save and invest more.” A March 2011 survey by Manpower announced that employers in India, Brazil, China, Taiwan, and Turkey report the strongest second-quarter hiring expectations — with those in India’s manufacturing sector said to have a “voracious appetite for hiring.”²²

Although HSBC did see American expat wealth soar in Russia in 2010, the boom there may be over. The *Financial Times* interviewed Sergey Salikov, manager at Ancor, the largest executive recruitment company in Russia, who said that after ten years of learning Western business practices, Russian managers have become more qualified and experienced.²³ American expats now face new competition from migrating



The BRIC countries of Brazil, Russia, India, and China

Chinese and Indian expats who are willing to work for less. HSBC also revealed that overall, BRICs were the most difficult countries to set up in, particularly India, because of cultural differences with the West. Brazil’s large cities are expensive to live in. Rio de Janeiro is even more expensive than New York City.²⁴ Russia and China were rated at the bottom of the survey because of the trouble expats had in organizing their healthcare or traveling locally.

BRICs, meanwhile, also wrestle with major unresolved issues within their borders. Brazil and India have experienced astonishing financial and technological growth but still have large numbers of their population living in extreme poverty and fighting for land ownership. Russia and China, meanwhile, are still emerging from communist dictatorships. Democratic rights and the rule of law are still shaky in Russia, eyed with suspicion in China, and both nations still confront environmental messes lingering from the Cold War era. Instability might be years – or seconds – away.

PIGS: Stay Out of This Pen

Most of Europe still offers the familiarity of culture and language for American expats, but not necessarily the best opportunities for jobs and investments. Although the European Union (EU) has been around since 1993, it is one the West's economic pistons. Consequently, it suffers the same fits and starts and rough running as the United States. In 2009, Portugal, Italy, Greece, and Spain sunk so deep into the economic mire of excessive government debt, bursting housing bubbles, inflated wages, and cheap imports that international financial experts dubbed them PIGS.

Since then, as the financial crisis has deepened, the size of the sty has grown to include Great Britain and Ireland ... and is now known as Great PIIGS. With the debt levels in some of these countries teetering around 100 billion euros, the EU member states bailing them out are fed up. Even the European Central Bank cracked the whip in April of 2011 and raised interest rates to 1.25%.²⁵ The fallout is that raising interest rates could hang Europe's faltering recovery.

As always, there are alternatives worth exploring. *International Living* magazine makes the case that you can enjoy a European lifestyle at one-fifth the price ... in South America.

Argentina: European Flavor (But an Iffy Economy)

Argentina benefits from rich natural resources, a highly literate population, an export-oriented agricultural sector, and a diversified industrial base. Manufacturing is 21% of the GDP.²⁶

Culturally, Argentina is a country of European immigrants and reflects that in its culture. The bulk of the citizens are of Spanish or Italian decent, although there are German, Welsh, and Arab communities. Argentina is also the land of the Tango. Music, film, and literature all have made significant impacts in the west. It has a world-respected wine making tradition and is fifth in wine exports. English is commonly taught at schools as a second language. The literacy rate is 97% and the nation has 85 universities. Geographically, it features mountains, plains, sub-tropical coasts, and sub-polar snow fields ... in other words, the same geography and climate of Europe and the Mediterranean.



However, Argentina has had its share of Euro-style repression, and lately, economic chaos. A severe depression, growing public and external indebtedness, and a bank run culminated in 2001. That December, the government defaulted on its foreign debt (the largest such default in history). The depression that followed pushed 60% of all Argentines below the poverty level.

Through debt restructuring and a booming economy overseas, Argentina's growth rebounded at 8.5% for the next six years, slowing only in 2009 due to the world recession. High GDP growth resumed in 2010, and the economy expanded by 8.5%.²⁷ The current economic outlook is brighter, but inflation is still casting a potent shadow. According to the *Latin Business Chronicle*, Argentina had the worst inflation of Latin America in 2010 at 26.6%.²⁸

Ecuador: Good Eats, Low Living Costs (And Diplomatic Tensions)

Further north, Ecuador is another South American country favored by American expats. Tucked along the Pacific coast beneath Columbia and Peru, Ecuador boasts the Andes Mountains, Pacific Ocean beaches and bays, and the Amazon Rainforest.²⁹ Starry-eyed American expats seem to fall in love with Ecuador from the get-go for two reasons: the cost of living is very low and the food — much of which can be bought fresh in local markets — is cheap and extolled as “healthful.” Fruits and vegetables for one week cost around \$15. Real estate is seen as a good investment, because labor is cheap and value is high.³⁰ In Guayaquil, Ecuador's biggest city with a population of 3.3 million, a 3-story home for sale in an upper class neighborhood runs about \$175,000. A savvy investor could make a substantial fortune as a second career. However, real estate is dominated by those who have excess cash to invest because long-term financing is scarce. Most banks provide only short-term funding and shy away from long-term risk.



Ecuador's nervous banks have seen a rough decade. In 1999/2000, the banking system collapsed,³¹ and Ecuador defaulted on its foreign debt. In March 2000, it adopted the U.S. dollar as its currency. This stabilized the economy, helping it grow at 5.2% per year until surging petroleum prices in 2008 drove it to 7.2%. But in December 2008, Ecuador reneged

on approximately \$3.2 billion of debt.³² While the recent global financial crisis slowed the economy, it picked up by 3.7% in 2010. The downside is that government spending has exploded and to pay for it, the government raised the minimum wage by 33.3% and raised the sales tax.³³

Spending problems also spilled into the street when a proposed law in Ecuador's parliament recently brought about an attempted military coup. On September 30, 2010, elements of the military and national police forces rebelled, occupied airports, and took over TV Ecuador's station. Unrest and looting was reported in seven provincial capitals of the country due to the lack of law enforcement. President Rafael Correa (considered an "angry leftist") was taken hostage for 10 hours. He was eventually freed by loyal military and police forces.

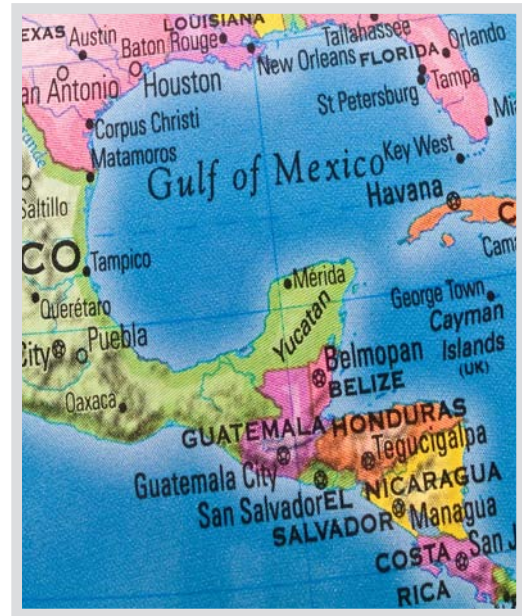
Regional reporters argue that the coup confirms Defense Minister Javier Ponce's 2008 report on infiltration of the Ecuadorian police by United States intelligence agents. U.S. ambassador Heather Hodges denied the allegations. Unfortunately for her—and U.S./Ecuador relations—her comments in a diplomatic cable (July 10, 2009) about Ecuador's former national police commander, Jaime Aquilino Hurtado (April 2008 - June 2009), were published in Wikileaks.³⁴ In the cable, she discussed multiple reports of illegal activities by Hurtado, including bribes from a taxi union, stealing public funds, and easing the trafficking of undocumented Chinese immigrants. Ecuador expelled her on April 5, 2011. In response, the U.S. expelled Ecuador's ambassador.

Ecuador may welcome American expats ... but for how long?

Panama: "Miami South" (But Rising Costs)

Further north still, at the tail of Central America, lies Panama. It has a tropical climate, is divided down the middle by mountains, and washed on both sides by the Atlantic and Pacific Oceans. Because of the historic Panama Canal, trade and shipping are at the heart of its economy and the nation uses the U.S. dollar as its currency.³⁵ Foreign nationals share the same property buying rights as Panamanian citizens, making the country very attractive for retired expats. Its solid banking center and the current \$5.2 billion expansion of the Panama Canal are helping Panama weather the current global financial crisis.³⁶ As of 2010, the World Economic Forum considers Panama the second most competitive economy in Latin America. Cities (like Panama City) are trendy and cosmopolitan with clubs and casinos. English is commonly spoken. The infrastructure is solid and modern, featuring highways to other cities and towns, an up-to-date telecommunications system, and modern healthcare facilities on par with American hospitals.

All this is great if you are looking for Miami South. Panama was once affordable, but its rapid success is quickly putting this thin strip of tropical real estate out of reach of many. Strong economic performance has not translated into broadly shared prosperity, as 30% live in poverty. The cost of living is gradually rising due to the influx of other expats from all over the world.³⁷ The cost of living in most of its urban areas, especially the capital, is “similar to New York City prices.”³⁸ Panama has an income tax and those who earn more than \$11,000 pay 15%. The rate increases to 25% for those earning more than \$50,000. It has also signed numerous double-taxation treaties so it will be removed from an international list of tax havens.



The Canal is an important American strategic concern. Its importance to the U.S. was spelled out in the Torrijos-Carter Treaties of 1977.

Its expansion is being designed to accommodate U.S. *Nimitz*-class supercarriers, such as the *USS Ronald Reagan*. Consequently, Panama will never be permitted to stray far on America’s canal leash. In 1989, President G.H.W. Bush brought it to heel to safeguard the lives of U.S. citizens in Panama and the Canal. That invasion cost 1.5-2 billion dollars worth of damage to Panama’s economy—some of it belonging to Americans. In spite of it, the Canal still harbors corruption and a profitable drug trade.

Belize: The Total Package

Belize, a major favorite of the shrewdest expats, lies a little further north, bracketed along the Caribbean Sea by Mexico, Guatemala, and Honduras. Previously known as British Honduras, this former British colony is the only country in both Central and South America with English as its official language. Belize is not very big, only 8,867 square miles. Of that area, only about 20% is farmed or has human settlements. About 36% of it is protected park land or wildlife refuge. With only 321,115 people (as of July 2011, with a median age of 21 years old), Belize has the lowest population density in Central America.³⁹ With most of the cities and towns located on the Gulf coast, Belize is more like a Caribbean island ... but without the high expenses. Consequently, it is the most undervalued opportunity in the Caribbean basin.

Belize is a parliamentary democracy and because of its British heritage, the legal system is modeled on the Common Law of England. All laws are handled by the Parliament of Belize (comprised of a Senate and a House of Representatives), while the government is run by the prime minister and his cabinet. But like any British colony, Belize values its independence and the personal liberties

of its citizens. With its economy firmly based on private enterprise, there are profitable businesses operating in agriculture, mining, and merchandising. Yet, by far, the biggest opportunities are in construction, tourism, and oil. Though small in size, Belize is not a backward banana republic with two light bulbs, a hand-cranked generator, and one hand-pumped well.



A boat dock on Ambergris Caye, Belize

Move in Duty Free, Live Tax Free!

The Belize Tourism Board's Qualified Retirement Program (QRP)

Anyone forty-five years and older can qualify for the program.

A person who qualifies can also include his or her dependents in the program. Dependents include spouses and children under the age of eighteen. However, it can include a person up to the age of twenty-three if enrolled in a university.

Qualified Retired Persons: applicants must receive a monthly income of not less than U.S. \$2,000 through a pension or annuity that has been generated outside of Belize.

All persons who have been designated a Qualified Retired Person (QRP) can import their personal effects and an approved vehicle free of all import duties and taxes when they first enter Belize.

QRP's are exempt from all taxes and duties on all income or receipts from outside of Belize.

1. Personal Household Effects: QRP's have one year from the date that they officially enter the program to import their personal and household effects free of duties and taxes as determined by the Customs Department. Numerous entries are permitted within the one-year period

2. Transportation: This includes motor vehicles no older than 3 years; a light aircraft less than 17,000 kg; or any vessel that is used for personal purposes and for pleasure.

Fees:

A non-refundable application fee in the sum of U.S. \$150.00 payable to the Belize Tourism Board must be submitted with the application. Upon acceptance, the sum of U.S. \$1,000.00 program fee must be paid to the Belize Tourism Board. Each dependent is required to pay a program fee of U.S. \$750 to enter the Program.

A fee of U.S. \$200.00 must be paid to the Belize Tourism Board for the issuance of the QRP Residency Card.

Source: <http://www.belizeretirement.org/whoqualifies.shtml>

According to the government, Belize provides electricity to 90% of its population. The remaining population lives on small islands or mountainous areas too remote to connect to the grid. Belize generates 213.5 million kWh, mainly through hydroelectric dams, though solar panels are catching on the coast. American expats don't need to bring adapters or transformers for their electronics because power is transmitted to wall outlets at the standard 110 volts/ 60 hz. There are also modern city water treatment and sewer plants (as compared to some U.S. systems that are over 100 years old). As far as healthcare, Belize offers free or low-cost care at a system of government-run hospitals and clinics around the country. There are also doctors with private practices, many who have trained in specialties in the U.S.

In fact, this really may be the Internet slacker's paradise. There are more than 2,880 Internet hosts based in Belize. The main Internet service provider is the nationalized Belize Telemedia Limited. It is the dominant provider of mobile and broadband services but the legislature liberalized competition somewhat in 2003. Though current rates are high compared to the United States, SpeedNet appears to be making inroads into the market. Like the rest of the world, landline phone use in Belize is dropping. Because of Telemedia's monopoly, the price is high. Nevertheless, in 2009, one-third of the population (161,800 people) had cell phones and those numbers will grow. When full competition and transparent telecommunications policies are adopted, this small telecom market could become promising for investors.

Unlike Ecuador's timid banks, Belize has five commercial banks, of which the largest and oldest is Belize Bank. The other four banks are Heritage Bank, Atlantic Bank, FirstCaribbean International Bank, and Scotiabank (Belize). Foreign investment is not only welcome, but encouraged. Belize's International Business Companies and Public Investment Companies Act of 1990 exempts these two types of companies from certain provisions of the income tax.⁴⁰ This means if an expat forms one of these types of companies, they and their company are exempt from income tax and all dividends paid by these companies to persons resident in Belize or elsewhere. In fact, expats who are 45 years of age or older can qualify for the Qualified Retirement Program (see sidebar), which is sponsored by the Belize Tourism Board and this can help launch your company — tax free.

It's been said there isn't a cost of living in Belize ... because there are several.⁴¹



Belize boasts ancient cultural treasures like the Mayan Ruin at Lamanai.

It can be the most expensive in Central America and it can be the cheapest. Just like the rest of the world, price depends on what you want and where you want it. You can spend nearly \$60,000 a year splurging on the island of San Pedro where houses cost \$250,000, or you can spend \$10,308 a year gardening in the mountains and hills near San Ignacio where a house and fair-sized yard costs \$120,000. On average, the cost per square foot in Belize runs from a modest \$45 to an upscale \$75,⁴² but remember that location is everything. Meanwhile, the rules for buying food are very simple. Processed foods are cheapest in the cities at supermarkets, and fresh fruit and vegetables are cheapest in the countryside. Moreover, by becoming friends with farmers and grocers, you will learn when they have the best foods.

The one thing, though, that everyone loves when they come to Belize is the amazing scenery and natural surroundings, whether it's in the mountains, the forests, or the sea. Belize offers gorgeous climate, the Belize Barrier Reef, over 1,000 offshore cayes (islands), fishing, beautiful beaches and places for boating. The waters are a diver's delight with perfect, clear water at bathwater temperatures of 82° F to 86° F. Jungle and wildlife reserves provide exceptional opportunities for hiking and bird watching, and the largest cave system in Central America. There are also enigmatic Maya ruins to capture the imagination.



Belize boasts ancient cultural treasures like the Mayan Ruin at Lamanai

Making Your Move

Okay, so now you've gotten up the gumption to move. But how will you make it abroad? Even if you stuff your home into a shipping container and move it lock, stock, and barrel, what does it take to make it in a foreign country? One experienced expat has hard-won advice to offer.

Sturle Hauge Simonsen grew up in Norway and attended college in Rome. Living there drove him nuts. He couldn't stand it, fought against fitting in, and couldn't wait to get home. When he got home, he hated it. Everything about living in Norway seemed alien and detestable to him. Suddenly, he realized he had been through culture shock in Rome and was going through it again at home. He became interested in how his feelings could be manipulated by such a seemingly insubstantial thing as culture. In his 2008 study, "Turning Strain into Strength: Developing Intercultural Resilience in Times of Cultural Adversity,"⁴³ he lists six personal traits that enable expats to succeed in cultures that they are strangers to.

- 1. Resilience:** Develop the ability to bounce back and keep going. No child has ever learned to walk without falling flat on their backside now and then. Simonsen cites the example of a young Mexican woman living in Sweden who cultivated resilience by going out and getting on with the things she needed to do to live. Those activities included necessities such as going to the store, setting up a bank account, and seeing the doctor.
- 2. Determination/Self-Determination:** Rather than letting yourself feel overwhelmed, take control over a situation and cultivate a strong sense of purpose and achievement. The study tells the anecdote of a middle-aged Chinese woman living in Sweden who needed help but could not speak Swedish. When her request for assistance was rejected, rather than giving up, she kept at it until someone was able to help her.
- 3. Flexibility:** Roll with the changes and be open for different ways of doing things. Keeping an open mind and being tolerant smooths away negative feelings. In the study document, a British expat in a foreign country offers the following advice: “Be open. Don’t make snap judgments about the people and culture — you will probably be proved wrong.”
- 4. Maintain positive relationships and social support:** Resilience not only comes from within, but also from the support and input provided by the environment around us. Simonsen quotes an Italian businessman in the UK who realized that “after some time you start to create new friends and often you meet people that are in the same situation as yourself. This makes it easier, since you share many of the same challenges, and it’s also easier to help each other during this new adventure.”
- 5. A sense of humor:** Learn to see the brighter side when things go wrong. A Swedish woman living and working in Japan found that “patience and smiles are the key words here. I realized quite fast that you don’t get anywhere by getting upset about things, even though it can be very frustrating not being understood. I always tried to relax and see the fun in the situation.”
- 6. Self-confidence:** Courage does not come without self-confidence. Push your own limits. Take risks and celebrate your small successes. This develops your self-confidence. An Irishman living in Rome summed it up this way: “Luck in life, I believe, is made up of hard work, focus, and tenacity. Therefore, I knew that if I applied these attributes also to my life in Rome, I, too, would have a ‘lucky’ life in Rome.”

North Dakota native Alaine Berg pulled up stakes and moved to Costa Rica in 2001. In an interview published on the blog missmoveabroad.com, she offered this wise counsel to aspiring expats. “Rent first.

Hire locals and pay fair wages — better than fair even. Support local business ... learn about the area, the language, customs, history — it shows respect.”⁴⁴

Expat writer Megan Fitzgerald explains it best. “The expats who will thrive abroad are the ones who let go of what they know and the past. They learn new skills to engage in the present reality and actively nurture and grow their professional assets to insure long-term success.”⁴⁵ Simonsen adds one other proviso: “Don’t try to change the host culture, live with it, not against it. Let your guard down.”

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