“All that glitters is not gold…. Gilded tombs do worms enfold,” Shakespeare cautioned in “The Merchant of Venice.”

The Bard might well have been warning of potential problems in retiring to enticing foreign locales like Portugal, Ecuador or Thailand, realms ballyhooed for cost-savings and relaxation in the golden years.

Retiring overseas is a splendid idea, but ever hear of the Financial Crimes Enforcement Network Report 114 (F-Bar)? Retirees abroad who hold a foreign bank account or accounts with an aggregate balance above $10,000 must file an F-Bar. Intentional failure to do so will result in stiff penalties: the greater of $100,000 or 50% of the balance.

That's just one potential problem that could turn a dream retirement into a horrific nightmare. Smart advisors can play an important role in helping to avoid such nasty surprises.

“Financial advisors will need to have more of a hand in their clients' retirement abroad. They must expand their knowledge and skill set to help clients understand all the issues and collaborate with the family physician to meet retirees' needs,” says David Vequist, founder of The Center for Medical Tourism Research and a business professor at The University of the Incarnate Word in San Antonio, Texas.
Many retirees who move overseas get a rude awakening when it comes to the critical matter of health care or basic amenities and diversions, like cultural attractions and sports. There’s no place like home—and this new home, they find, is distressingly different from the one they left.

To avoid such woes, advisors should try to help clients obtain as much information as possible about their intended retirement destination before relocating.

The first step, of course, is selecting the country. Clients need to prioritize their three or four most important lifestyle “musts” and not compromise on any one of them, says Kathleen Peddicord, publisher of the online Live and Invest Overseas.

“A place might have beautiful beaches, great weather and affordability—but if it’s lacking one of your top priorities, keep looking,” advises Peddicord, who has lived in Panama for a number of years. “Find the place that matches the lifestyle you want. Compromising on that very short list is how to be sure [foreign retirement] won’t work because you’ll miss those things too much and be unhappy.”

Lack of communication can be a bummer that will make life miserable.

“If you don’t speak the language of the country you’re in and there aren’t a substantial number of people there that speak English, you’ll have a tremendous problem just going to the grocery store,” says Art Koff, founder of the website RetiredBrains and author of the e-book, “Lifetime Planning Guide: Resources for Boomers & Seniors” (RetiredBrains, 2015).

Health Problems

Beyond language barriers, a major issue, if not the No. 1 issue, is access to quality health care. Internationally, such care varies widely. Brief country-by-country information can be found on the U.S. State Department's website State.gov; for instance, in Panama “medical facilities are limited” beyond Panama City.

Rather than relying on publicly funded health care, FAs should suggest that clients sign up for health insurance from private providers. Unfortunately, this will reduce their expected overseas-retirement cost-savings.

But even in England and Canada, patients of the publically funded system are often forced to wait at least six weeks for a doctor's appointment or an MRI or CT scan, according to Vequist.

Medicare coverage is not available in foreign countries, but many folks relocate abroad partly because health care costs are lower than in the United States. However, international costs are rising faster than those in the U.S., Vequist says.

“Within 10 years, countries around the world are going to have much more expensive health care systems than they do now,” he notes. “So, if someone says, ‘Yay! I’m getting my health
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care in Latin America because it's cheaper,' in 10 years they may go, ‘Wow! Costs have gone up quite a bit here, but in the States they haven't risen as much.' So health care spending power has been lost.”

Prescription drugs are another worry. Some countries, especially in Asia, such as China and India, are rife in pharmaceutical counterfeiting. For example, you may think you’re getting Viagra, but those tablets are made of drywall. Moreover, in some countries—like Mexico and Ecuador—pharmaceuticals are available without a physician's prescription. With no doctor or pharmacist input, patients can experience severe, even fatal, side effects from medications that interact negatively.

Even though Medicare is of no use in a foreign country, it is advisable to maintain coverage should a serious condition warrant treatment in the States. Premiums will continue to be deducted from Social Security benefits.

“Giving up your Medicare because you don't want to spend the money is not a good move,” Koff stresses.

Safety Concerns

Personal safety in the idealized retirement locale is of course a deep concern. Risk typically rises with crime rate, and a number of countries are also sites of protests and violent political uprisings. Americans retiring to certain areas of, say, Latin America and Central America, or many European countries, may well encounter upheavals.

“It would really suck if you decided to live somewhere, and suddenly there was rioting and shooting in the streets, and people taken hostage—and there weren't indicators ahead of time to tell you not to move there,” Vequist says.

Up-to-date travel alerts can be found on the State Department website. Right now, for example, there are warnings of “continued risk of terrorism” in Thailand—among many other countries—and that Mexico and Honduras are dangerous destinations.

“Certain areas of Mexico that 20 or 30 years ago were safe are not today,” because of crime, Koff notes. “You would be ill-advised to retire to Acapulco. Years ago it was the place; now it's not a safe place.

Money and Taxes

Finances and investments are of paramount concern, to be sure. One likely problem is currency fluctuation, which can put a giant crimp in retirees' best-laid plans.
“If things continue to spiral out of control in Greece, you could see rapid currency fluctuations,” Vequist says. “It would be very unfortunate for an elderly couple to move there thinking they could retire comfortably for the rest of their lives and then find out the euros they have are devalued—or that there's strife in the streets.”

From a control standpoint, at least, it is advisable to maintain brokerage accounts in the U.S. Clients should keep their U.S. bank accounts, too, but open a local one for paying bills. Often bank bureaucracies can make the latter a hassle by requiring documents, like letters of credit, from the individual's U.S. bank.

Income tax matters can be confusing and complicated. For one, U.S. citizens living abroad must file U.S. returns even if the foreign country has a double-taxation treaty with America, which splits the tax rights of each country.

A common error for American citizens working and paying taxes overseas is failure to file a U.S. return as well. In one case, a man employed in Australia who neglected to file for the last 10 years now must pay six years' worth of back taxes plus penalties, according to Dennis Brager, a former IRS senior trial attorney who heads Brager Tax Law Group in Los Angeles.

“As long as you remain a U.S. citizen, just because you've physically absented yourself from the U.S. doesn't mean you don't have all the same filing requirements as when you lived in the U.S.,” Brager says.

The Foreign Account Tax Compliance Act of 2010 (FATCA) requires an F-Bar report and one additional report to be filed by U.S. citizens who hold a foreign account or more than one account with a combined balance exceeding $10,000. Any local bank or brokerage account constitutes a foreign account.

Financial advisors would do well to apprise clients of their FATCA obligations.

“It doesn't take a high degree of sophistication to understand that if you have accounts in a foreign country, there are some filing requirements,” Brager says. “The financial planner doesn't have to know all the fine details, but it's a good idea to at least alert clients that this is something that needs to be looked into more deeply. If you willfully fail to file an F-Bar for, say, six years and have $30,000 in foreign accounts, you could be looking at a $600,000 penalty.”

The FATCA era has meant increased foreign-account scrutiny. At the same time, investigations into computer data breaches, increasingly common, reveal the identity of those who do not comply with the F-Bar requirement. HSBC's data leak in 2010, for instance, resulted in many noncompliant individuals facing “onerous civil tax consequences or criminal tax prosecution,” according to Brager.

Another potential tax trip-up: The $99,200 foreign earned-income exclusion. This applies to income derived from working in a foreign country and is non-taxable. It does not apply to investment income.
“People get confused,” Brager remarks.

Hiring a local accountant for tax advice isn't the best idea, the attorney says, unless they have expertise in dealing with the tax affairs of Americans living overseas. He recommends the services of a CPA or tax attorney in the States who has such experience.

Further, to avoid heartache, if not hardship, clients must make certain that family trusts are enforceable in the new country of residence and that they include asset protection.

“A U.S. trust very often doesn't offer asset protection because it's basically for estate planning,” notes Lief Simon, financial editor of Live and Invest Overseas. “Setting up an off-shore trust can offer better protection in addition to estate planning.”

Tax-free municipal bonds can be problematic if clients retire to a country that taxes residents on worldwide income. Paying taxes on munis can be avoided simply by selling them before relocating and buying corporate bonds in their stead.

International financial scams are proliferating, and the State Department's website counsels Americans to be on the lookout for them.

Retirees must also understand that in many countries, such as several in Asia, only citizens may purchase land.

Koff knows an American who lost more than $100,000 investing in Mexico because he was unaware of the property laws there.

One way to get around the ownership obstacle is to give a friend, and citizen of the foreign country, funds to buy the land for you. This scenario has drawbacks, though. Peddicord notes: “You don't legally exist as the owner of the asset. Your friend would be on the title, and you’d be at their mercy for whatever benefit from the property they would allow you to take.”

**Be Prepared**

For those who pick through the pitfalls before relocating, retiring abroad may well turn out to be a happy net positive.

But, says Vesquist: “I suspect there are many more negatives and challenges that people can anticipate—not the least of which is the change in way of life. Giving up and coming back home can only be prevented by very good research and advice from people that can help with health care and financial questions.”

On the other hand, says Peddicord: “You have to be able to see the change in lifestyle as part of the adventure and not let it make you crazy.”