



## Overseas Properties

Merl, who is 66, retired from his job as a partner at NMG Consulting in Stamford, Connecticut. Soon afterward, he and Rita, a retired high school German teacher, also 66, embarked on a new life. Merl and Rita now live half the year in Berlin, in an apartment they bought more than a decade ago, and the rest of the year on their sailboat in Maine or at their longtime home in Greenwich, Connecticut.

“There are oceans to be sailed, mountains to be skied, and operas to be heard,” Merl says.

While many Americans who purchase property abroad have different priorities, including golf and beach time, the Bakers’ choice to buy a home in a foreign land is an increasingly common one, experts say.

But it’s not a decision to make without careful planning and a lot of soul searching, says Dan Prescher, senior editor at *International Living* magazine.

“Moving abroad is not for everybody. It’s not even for most people,” he says, though it has been a great experience for him and his wife, Suzan Haskins. The two journalists, who met and married in Omaha, Nebraska, have lived in seven different communities in four countries over the past two decades. They have purchased two homes in Mexico and one in Ecuador and learned a little each time, he says.

Kathleen Peddicord has had even more learning experiences. The founder of the Live and Invest Overseas publishing group currently divides much of her time between homes she and her husband, Lief Simon, own in Paris, France, and Panama City, Panama. The couple, avid investors, own properties in 24 countries.

Here's what Prescher, Peddicord, and other experts say Americans should consider before buying a home in another country.

## **Whether to Buy at All**

Let's say that, over the course of a few vacations, you fall in love with the lifestyle in Mazatlán, Mexico, or the Algarve region of Portugal. Perhaps you find yourself envying friends making a killing renting out their condo in the Dominican Republic—when they aren't there sipping rum themselves.

Even if you have been to your dream destination several times, you can never have enough information, experts say.

"You should rent first. And six months is probably the minimum," Prescher says. "In six months, you'll know whether you've picked the right neighborhood or not. You'll know when the church bell rings, what the street is like when the rain comes, and how bad the bugs get on your side of the hill."

His advice: "Stay long enough to learn what your deal breaker might be."

Peddicord agrees. "If you decide this city isn't for you or this country isn't for you, you just cancel the lease or wait for it to expire and move on." Or, she says, "you may decide to keep your options open by continuing to rent—a choice that often makes good financial sense."

Even if you are buying an overseas home primarily as an investment and rental property, you should pick a spot that you will be happy to visit many times, she adds. "Expect you are going to be there at least once a year to check in with the rental manager and oversee maintenance," she says. "People who buy properties in places they would not live themselves can end up resenting the time they have to spend there," she says.

## **A World without the MLS or Zillow**

When you shop for a home in the U.S., your first stop is often an online listing site, such as Zillow, Trulia, or Realtor.com, where you can see and compare many homes on the market, complete with exhaustive slideshows, sales, and tax histories. At some point, most people also check in with at least one real estate agent who knows the target neighborhood.

Undergirding the whole system is the Multiple Listing Service, or MLS, a comprehensive database of all the homes listed by agents and brokers in any given area. A home listed on the MLS should have the same price no matter who is showing it.

Forget all of that when you shop for a home outside the U.S., Peddicord says. "The MLS concept does not exist elsewhere, and a home may be listed with multiple agents for multiple prices."

And shopping online? "Google is not your friend," Peddicord says. "What you find is likely to be



confusing, misleading, or downright wrong.” She says that agents seeking foreign buyers in some markets engage in bait-and-switch tactics, and the homes you see online will not be what’s actually available.

The solution is lots of legwork. Talk with other expatriates about their experiences, and find more than one agent to show you properties, Peddicord advises.

And stay skeptical, she says. “Take everything a real estate agent tells you with a grain of salt. In most places, they can say whatever they want to try to make the sale.”

## **Getting Legal Help**

Does the person selling you a home have the legal title to that home? Are the taxes paid up? Are there any access concerns? To avoid tripping over such issues, you will want a lawyer who represents your interests to scrutinize every aspect of the sale, Peddicord and Prescher explain. This person should speak the local language, have lots of experience working with Americans, and be able to explain everything to you in your own tongue, they say.

Get recommendations from other expatriates in your target community—many have Facebook groups and other online gathering spots—and interview several lawyers before making a choice, Peddicord advises.

If you plan to live in your property for more than a few months a year, your lawyer can also help you wade through options for becoming a legal resident of your adopted land. Some countries make it easy, especially for retirees with healthy pension checks and bank balances.

Your lawyer may help you with other matters as well.

Rainelda Mata-Kelly, a Panama City lawyer who specializes in working with foreign homebuyers, says American clients are often surprised when she suggests she accompany them to a local bank to set up an account. “Opening a bank account in Panama is quite complicated,” she says. “Having the right paperwork and having an introduction to the bank manager will make your life much easier.”

## **Understanding Your Tax Situation**

Moving abroad, for part or all of the year, does not put you out of the reach of the Internal Revenue Service. You still must file a tax return and may owe taxes. But Americans earning money while living abroad benefit from the foreign earned income exclusion, which allows you to earn a certain amount before U.S. taxes kick in. While your new home country may also send you a tax bill, foreign tax credits and tax treaties that forbid double taxation may greatly ease your burden in many places, Peddicord says.

Baker—the opera lover who bought a Berlin apartment—says one reason he and his wife won’t live there for more than six months a year is that German taxes would kick in one day past six months on



the income he expects to earn working part time for his former full-time employer.

Bottom line: Get a tax advisor familiar with the ins and outs of overseas living.

## Planning for Routine Expenses

One reason for renting before you buy: It gives you a chance to live like a resident, not a tourist—to discover the grocery stores, restaurants, merchants, and transit options you will use in everyday life. Many people discover they can live much more cheaply as residents than vacationers, Peddicord and Prescher say.

But don't forget to consider the cost of travel—both to explore your new environment and to get back home from time to time. If you expect to return to the U.S. several times a year, it matters whether you are living a drive away in Mexico or a daylong series of costly flights away in Vietnam or Bali.

Healthcare expenses are another major concern. In some places, Americans can enroll in national health plans or buy good local insurance for very little, Peddicord says. In other circumstances, people will want to purchase international policies, she says. And still others will decide they don't need health insurance that covers their basic local care, because it is so affordable.

Prescher says he and his wife have found medical and dental care to be good and surprisingly affordable in their Latin American locales: "I've had a lot of dental work done and rarely paid more than \$150 for anything, including crowns and extractions," he says.

One caveat: Peddicord urges Americans to sign up for Medicare at age 65, even though they can't use it abroad—because they will pay a penalty for signing up later if and when they return to the U.S.

## Considering Your Exit Strategy

Maybe you plan to live out your years abroad, but then something happens. That something is often a serious health issue or, more happily, the arrival of grandchildren back in the U.S., Prescher says. In fact, he says, he and his wife have spent extra time back in Omaha this year—in one of two homes they own there—to be with their 5-year-old granddaughter.

Having an exit plan means keeping your options open, he and Peddicord say. For some people, that means maintaining a home in the U.S. that you may or may not rent out while you are gone, or simply maintaining the financial flexibility to return. When you buy real estate abroad, just as when you buy domestically, you want to consider resale potential.

Then there's the ultimate exit plan: your estate planning. Make sure you have a will and other documents that will hold up legally in the country where you own property. For those considering purchasing a property abroad, there's much to consider and many stones to be overturned. Some of the most important pieces of your plan should include experiencing the area, often, before you commit to anything, and also engaging the help of expert resources.