

Retirement Abroad: An Alternative Way for American Retirees

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Abstract—This article explores the current state that enables Americans to retire abroad with an easily affordable, albeit high-standard of living. As the wave of American baby boomers approach retirement age, a reported 3.3 million are thinking about retiring abroad. How are they to realize their expectation for affordable living, along with their needs for accessing Social Security and Medicare benefits, in order to choose their best retirement destination? While Americans currently retire more often than not to Europe, Canada and Mexico, other countries such as Thailand and Malaysia have emerged that also offer attractive incentives to Americans contemplating retirement.

Index Terms—Retire abroad, cost of living, healthcare cost, oversea healthcare, Medicare, retirement finance, immigration.

CAN you imagine that American retirees eat fresh fruits and vegetables year round, spend their free time hiking to hot springs and frequenting local restaurants, and keep up with their families and friends back in the U.S. via Skype and Facebook? Yes, it is not dream. You can do it, too. Retire abroad.

There is a big potential market in these retiring American baby boomers who want to move abroad. About 350,000 Americans are receiving their Social Security benefits outside the United States, and a reported 3.3 million American baby boomers in the States are planning to retire abroad [1]. In this article, the authors discuss some important factors to protect old American retirees and help them prepare for the unforeseen challenges—Retire Abroad.

I. FINANCIAL ISSUES

What's driving American retirees abroad? Money or the lack of it. Americans confidence in their ability to afford a comfortable retirement is at historically low levels, according to this years Retirement Confidence Survey, conducted by the Employee Benefit Research Institute. Only 13 percent of American workers said they were very confident they would have enough money to live comfortably in retirement, according to the survey [2]. The global financial crisis erased 18 years of gains for the median U.S. households net worth, according to a study by the Federal Reserve published on August 9, 2013. From 2007 to 2011, the S and P/Case-Shiller U.S. Home Price Index dropped 23 percent [3]. Retirement accounts, important supplements to Social Security and other types of retirement income, were also badly hit.

One of the most pressing financial concerns facing prospective retirees is whether they will have enough money to pay for medical and long-term care expenses. Health care costs have risen rapidly over the last decade and show no signs of abating. A 65-year-old couple retiring in 2012 is estimated to need

\$240,000 to cover out-of-pocket medical expenses, the costs not covered by Medicare throughout retirement, according to the latest retiree health care costs estimate calculated by Fidelity Investments. This represents a 50 percent increase from 2002, when the estimate was \$160,000. The cost of 365 days of in-home care, 4.5 hours per day, by a home health aide at the average year 2008 hourly cost of \$ 20.00 is \$ 31,200. The average year 2011 cost of care in an assisted living facility is \$39,240. The average year 2013 cost of care in a private room at a skilled nursing facility is \$94,170; \$82,855 for a semi-private room in a nursing home; \$41,124 for an assisted living facility and; \$18,460 for adult day care. All costs are national averages. Costs depend on duration of care, provider, and location, based on John Hancocks Cost of Care Survey, conducted by LifePlans, Inc., 2013 [4].

According to a report from the Center for Retirement Research at Boston College, over a lifetime, healthy individuals may pay as much as \$105,000 more than those in poor health. At age 65, a typical married couple free of chronic diseases can expect to spend \$197,000 on remaining lifetime health care costs, excluding nursing home care, while facing a 5 percent probability that these costs will exceed \$311,000 [5].

We just can't figure out a way to live as affordably as we do here. The cost of living in most international retirement destinations is much less than the U.S. According to International Living magazines 2014 Global Retirement Index, shown below, rent in San Jose, Costa Rica, for instance, is 57% lower than in Philadelphia. Consumer prices in Chiang Mai, Thailand are 59% lower than in Boston. Groceries in Seville, Spain, are 36% lower than in San Francisco [6]. For retirees, leaving the United States this often means a more affordable way of life, including low-cost healthcare, real estate and even gasoline prices. In todays world of high taxes, skyrocketing medical costs and insurance, retiring abroad provides an alternative way to American Retirees without draining their bank account.

Retiring abroad has been of particular interest as a way of curbing expenditures or dependence on expenditures. It makes sense – many countries offer a low cost of living and high quality of life. A retired American couple can live quite well on \$1000 a month. The State Department estimates that some 6.3 million Americans are living abroad, and expat sites have put the number of retirees doing that as high as 1.5 million. Those numbers could swell as baby boomers hit their retirement year ready for new adventures.

About 350,000 American retirees receive Social Security benefits in countries other than the U.S., according to the Social Security Administrations annual statistical supplement. The majority of those people live in Europe, Canada, and

TABLE I
INTERNATIONAL LIVING MAGAZINES 2014 GLOBAL RETIREMENT INDEX

Country	Real Estate	Special Benefits	Cost of Living	Integration	E & A	Health	Ret. Infra	Climate	Final Score
Panama	91	100	88	95	95	91	81	88	91.2
Ecuador	94	99	89	92	88	88	79	100	91.1
Malaysia	93	80	88	92	94	95	85	81	88.5
Costa Rica	88	87	87	92	94	94	75	77	86.8
Spain	91	62	82	87	96	91	93	85	85.8
Colombia	88	80	87	79	82	90	83	86	84.2
Mexico	88	75	87	92	81	93	74	84	84.2
Malta	85	84	83	100	68	88	77	88	84.1
Uruguay	79	76	64	87	94	96	82	92	83.7
Thailand	83	62	88	89	96	90	78	81	83.5
Ireland	85	76	72	97	98	89	85	61	83.0
New Zealand	71	77	77	92	88	86	86	87	83.0
Nicaragua	94	68	92	92	77	87	69	83	82.6
Italy	73	80	70	79	98	89	89	83	82.5
Portugal	85	73	85	73	70	93	95	85	82.4
France	72	84	57	70	100	97	87	85	81.5
Philippines	79	62	99	89	79	88	82	69	80.8
Honduras	78	87	86	89	64	88	67	78	79.6
Guatemala	88	62	100	57	83	86	72	81	78.8
Brazil	80	74	71	68	76	90	75	85	77.3
Chile	83	73	71	65	88	89	83	63	77.1
Belize	82	79	85	87	57	84	67	70	76.4

Mexico. Anecdotal evidence suggests that this number will rise: As many as 3.3 million American baby boomers are planning to retire abroad, according to figures from Travel Market Report, the industry publication. Three years ago, the paid subscription base of International Living, a magazine for retirees who live overseas or plan to, was 39,000; today, its 80,000.

Beckoned by foreign countries with mild climates and a lower cost of living, many retirees view living abroad as the fulfillment of a life-long dream. Large numbers of people live where they live because of their jobs. When they're not working anymore, they make the decision to move to a more comfortable climate and some places that make their dollars last longer. It's why so many people say they plan to travel the world when they retire. One of the things that used to happen is that families stayed together in a general area. But in today's economy, your children are no longer tying you to a certain location. It allows you to think more broadly about where in the world you might want to live.

To be sure, many of the elderly rely upon Social Security benefits as their only source of income [7]. American citizens who retire abroad are eligible for social security benefits. Social Security can still provide an income stream for the retiree who are expatriates. An US citizen is eligible for social security retirement benefits (provided you have worked for a minimum of 10 years or earned at least 40 credits under the social security system), just as if you stayed in the US. Social Security payments may be deposited directly into your account at a US financial institution. Some US financial institutions, like Citi bank, Chase bank have many branch offices overseas. This is the most convenient way to receive social security payments.

If your only income for the year was Social Security or Railroad Retirement benefits, those benefits will generally not be taxed. However, since very few people can survive on that amount of income, chances are you have other sources that

may result in your Social Security benefits being partially taxed. American retirees are required by the U.S. government to pay taxes, even if residing abroad. The Social Security benefits paid to a US citizen outside the US are taxed in the same manner as those paid to a US citizen living in the US. In addition, some foreign governments may also tax US Social Security benefits. Under the Indo-US Double Taxation Avoidance Agreement (DTAA), India does not tax social security payments. The US is the only industrialized country to tax citizens on income earned abroad, as evident in the listing under International taxation, even when those citizens are taxed by their countries of residence, though US citizens are allowed to exclude their first \$91,400 [8]. If you already live abroad, you should consult with the Federal Benefits Unit of the American embassy in the country where you reside for personalized advice. They have direct access to the Social Security files, and have experience with problems specific to people residing outside the US.

II. HEALTHCARE ISSUES

Medicare is a federal health program financed through payroll taxes. Medicare health-care coverage is available to Americans residing in the United States who are 65 years or older and who have contributed to Social Security for at least 40 quarters (10 years). Many Americans residing or planning to retire abroad are unaware that Medicare does not generally cover Americans while outside the United States, even if they have made full rights to Social Security. In most cases, Medicare won't pay for health care or supplies you get outside the US.

There are a few narrow exceptions to this rule: When a foreign hospital is nearer than the nearest US hospital to:

- 1) The place in the US where you have a medical emergency, or
- 2) Your home, for treatment of your medical condition (regardless of whether it is an emergency)

Among the most frequently heard counter-arguments to extending Medicare coverage abroad to those who have contributed into the system are:

- Concerns about how to administer claims from numerous countries. But for years overseas claims have been routinely handled under TRICARE, the health care program coverage for retirees uniformed service members and their families worldwide. This objection is ground-less.
- Cost to the Federal government. Qualified individuals living overseas are only asking for services from the system they would be entitled to if they were based in the US. Furthermore, it is well known that competitive medical care can be provided in much of the world at costs considerably below those in the USA.
- Ensuring compliance with Medicare standards by foreign medical personnel and facilities. Numerous countries have highly qualified (often US-trained) medical personnel and state-of-the-art facilities. Accreditation procedures already exist on an international level, and could easily be adapted.

To address the above concerns, strong arguments have been made for testing extension of Medicare abroad by testing the process in a single country, contiguous to the United States: Mexico. An estimated 200,000 American retirees live in Mexico either full or part time. These individuals have worked in the US, paying into the Medicare system for an average of 31 years. A survey on the issue found that almost two thirds either have, or would travel back to the US for a serious illness requiring hospitalization or extended care not because of concern about the care available in Mexico, but to utilize Medicare coverage. If preventive care and doctor visits were covered in Mexico (Medicare Part B), at least some of that high-cost hospitalization would be avoided, saving money and improving health outcomes. A number of other countries e.g. Panama, Costa Rica, and the Philippines have attempted to obtain certification to provide Medicare coverage, without success to date.

Under the Affordable Health Care Act (Public Law 111-148, popularly known as "Obamacare") there is a specific provision that individuals residing outside the United States or residents of territories "shall be treated as having minimum essential coverage" for any month they are qualified under the tax code as "residing abroad."

Many countries offer subsidized national health care. Depending on citizenship and age requirements, foreigners are often eligible for the programs, and the level of medical care is generally quite high. Health care is quite affordable in a low-cost country, compared to the outrageously high prices in the US. Long-term (nursing home care) is quite affordable in a low-cost country. Medical tourism is becoming very popular to Singapore, India and Thailand. Many of the doctors in those countries are trained in the U.S., and the costs might be a quarter of U.S. fees. Most of the retirees prefer to simply pay out of pocket for doctor visits, which are less than \$25 per appointment.

Note that environmental conditions at your overseas destination may contribute to specific health concerns, particularly if you are sensitive to altitude, air pollution, humidity, or other

conditions. Consult with your physician prior to your move overseas to identify your healthcare needs at your retirement destination.

III. IMMIGRATION ISSUES

Immigration and residency laws differ greatly from country to country. Determine if you need a visa to enter and reside in the country where you want to retire by reviewing the Department of States Country Specific Information. If dual citizenship is an option for you, review the information on dual nationality before taking this step [9]. Americans living abroad are of course subject to the legal systems of their respective countries of residence. They are sometimes also subject to American law even while abroad for example, necessity to file US tax returns while living abroad, or US restrictions on travel to Cuba.

Several Asian countries are actively trying to attract foreign retirees. Thailand is probably the best known among these. Lots of new retirement communities springing up in these countries. Malaysia has launched the MM2H (the Malaysia My Second Home) program. Malaysia's strategic location, developed infrastructure and communications system, political stability, wide use of English, investment-friendly environment, tropical climate, low cost and high standard of living and lifestyle have been increasingly appreciated by its expatriate community. Malaysia My Second Home (MM2H) program is an initiative of the Malaysia Government to encourage citizens of countries with which Malaysia has diplomatic relations to enjoy Malaysia during the long winter months or to escape the hot summers in their own countries. Ten-year multiple entry renewable social visit passes are issued to facilitate the program for eligible participants. MM2H program is now attracting foreign citizens to Malaysia not only to long-term stay but also to use it as a base from which to conduct their business overseas.

The Malaysia My Second Home (MM2H) program is open to all foreign citizens of countries recognized by Malaysia regardless of race, religion, gender or age. Applicants are allowed to bring along their spouse and children. Many incentives, including no tax for income remitted into Malaysia, child study passes, tax exemption for car purchase, bringing-in own maid, as well as house purchase are given to successful applicants.

Unfortunately, there is currently no easy way for a non-Indian to retire in India. There is no such thing as a "retirement visa" to India (as there is for several other countries). A foreign retiree cannot stay for longer than six months in India.

IV. NEW LIFE

Going to a country for some weeks as a tourist is very different from living there. The new technology has definitely helped us to stay connected irrespective of geographic distance. American retirees nowadays keep up with their families and friends back in the U.S. via Skype and Facebook. Indeed, the wonderfully romantic notion of moving to a foreign country sometimes conflicts with the harsh practicalities of expat life, including currency and tax issues, political instability

and personal safety in the new destination. United Nations on the 13th officially released "World Population Prospects" report, forecast in the next 12 years, the global population will increase from the existing 7.2 billion to 8.1 billion, and in 2100 will rise to 10.9 billion. The world's aging population is increasing rapidly. In 2100, the global population over the age of 60 will be more than doubled from the current 841 million to 3 billion [10]. The segment of the population age 65 and older is increasing at a faster rate than the total population [11]. Tomorrows elderly population is expected to be better educated, healthier, more culturally literate, and more discerning as consumers than those populations in the past. They are expected to differ from previous generations in that they will enjoy longer lives, better health, and more active lifestyles.

Some Developed Country's aged have an expression for retire abroad. Japans aged Japans silver community tend to head to other Asian nations because of familiarity of culture, lower cost of living, and closeness for easy travel between the two homes. South-east Asia is one place that fulfills these requirements, with warm climate as a bonus. Thanks to these countries bigger labor pool, it is easy to find household and other help in local friendly and diverse population. This is especially of importance to the foreign retirees. One of the most pressing financial concerns facing prospective American retirees is whether they will have enough money to pay for medical and long-term care expenses. More American seniors living on fixed incomes are drawn to overseas retirement.



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