

Want to Retire Abroad? Avoid These Financial Mistakes

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Retirement Rehab



Thinking of retiring abroad? You're not alone. No one knows exactly how many Americans find different places to retire. HuffPost guesses [several million](#). And more are doing it every year.

There are a lot of benefits of having a different place to retire, or start your second career post-retirement. Just make sure you avoid these common financial mistakes in the process.

Forgetting about healthcare costs

When researching for places to retire abroad, I know a lot of people look to Europe. I can see the draw — there's less cultural differences and most people speak English. But one thing people forget to consider are healthcare costs.

When you relocate abroad, you can't take your Medicare benefits with you. So whenever you see the doctor, you'll pay out of pocket.

Luckily, there are a lot of great places to retire with very affordable healthcare. Just not in Europe. So be realistic, and broaden your horizons to some affordable countries with an emerging economy. Many of them cater to the needs and standards of Western healthcare systems. Do a little research, and you'll be able to find the [best place to retire in the world on a budget](#).

Closing your US accounts

This is a bad idea for a lot of reasons. Most expats keep their US accounts and the bulk of their savings in dollars. For one, if you move to a country with a weak currency, having dollars back home is a good investment.

But more importantly, keeping your US accounts will allow you to take advantage of retirement benefits like Social Security and 401(K). Most foreign banks aren't allowed to accept these transactions.

Investing in a new home too soon.

If you do move to a middle-income country, the prospect of buying a new home can be quite a draw. Property prices can be very low — and if you just sold your home in the US, you might even be able to upsize in retirement.

But investing too soon can be a mistake. For one, you'll probably find a better opportunity if you spend more time in the country first and learn about local real estate. And if you decide after a while that expat life isn't what you wanted, then you'll have the hassle of selling.

I recommend spending your first year renting. If you really plan to retire there, you'll have plenty of time to shop around and find the right place.

Not filing a tax return.

Uncle Sam has special powers. Unlike almost every other country in the world, US citizens that live abroad [still need](#)

[to file tax returns](#). That deters a lot of people from finding new places to retire.

If you don't file, the IRS can penalize you between 5 and 25% of what you owe. But if you do start a new business abroad, you can exclude up to \$101,300 of that income in 2016.

Either way, just make sure you're prepared to pay double taxes, or use the full extent of the US tax system's exclusions and exceptions to avoid it. Talk to a financial advisor about your options.

Not filing tax disclosures.

If you decide to open foreign bank accounts in your new country (which I recommend), then you'll have even more tax obligations.

You'll have to file the [FinCEN Form 114](#), the Report of Foreign Bank and Financial Accounts. You're required to do this regardless whether you owe tax on the money. But luckily, this rule only applies if your foreign accounts amount to \$10,000 or more in aggregate.

Researching different places to retire is a great way to dream. When you're ready to make the switch, just remember to avoid these financial mistakes.



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