

Twenty-five Things You Must Know Before Buying Property Overseas

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Table of Contents

Introduction	1
25 Things You Must Know Before Buying Property Overseas	
1. Beware the real estate jackal	2
2. No multiple listings service	2
3. “What do you mean I can’t open an account?”	3
4. Save up to 30%	3
5. Buy what you see.....	3
6. In your purse, pocket, or backpack: a current bill.....	4
7. Tax planning	4
8. A few common sense don’ts	4
9. The six-month rule.....	5
10. Buy new stuff in the new place	5
11. This can’t be about convenience	6
12. Communication is key	6
13. A tax dressed in sheep’s clothing.....	6
14. Health matters	7
15. Virtually resident	7
16. Back to school	7
17. Paying what the locals do	7
18. Go the independent route	8
19. Word of mouth beats the phone book.....	8

20. What's in a name?8

21. Don't get talked out of title insurance.....8

22. Calling mom is more expensive than you think9

23. What do you mean I can't get a mortgage?9

24. Can you call this place home?.....9

25. *I'm freaking out! Now what?*.....10

Introduction

Perhaps you're on vacation in some sun-dappled country...you see a listing for a property, do the math, and realize that the price is incredibly low by American standards. You've had a great holiday thus far...you're charmed by the local customs, enjoy the food, and what's not to like about this picture-perfect weather? "I could live here," you think.

Before you jump into an overseas property purchase, we'd like to offer you a few tips based on our personal experience. Some of these are practical considerations, such as how best to plan your taxes, while others are personal—for instance, do you *really* want to learn a new language at this point in your life?

Please look on these pointers as advice from a friend who has your best interests in mind. We want you to have the adventure of your life but, insofar as it's possible, we'd also like to help you avoid some of the common pitfalls we've encountered along the way.

Happy home hunting!



Kathleen Peddicord
Publisher, *International Living*

25 THINGS YOU MUST KNOW BEFORE BUYING PROPERTY OVERSEAS

1. Beware the real estate jackal

We don't want you to think everyone you deal with is a con artist, but it can't hurt. If your "agent" gets around on a bicycle, doesn't have business cards, and doesn't have a permanent office, he's probably not a reputable agent. Because many countries do not regulate their real estate industries, agents may not require licensing. As such, you'll need to proceed with caution. Trust your gut. If the supposed agent gives you the creeps, walk away.

2. No multiple listings service

The concept of a multiple listing service doesn't exist in most countries outside the U.S. As such, you'll need to meet with every real estate agent in your area of choice. You'll often find that each agent will have different listings, some of which will be proprietary. What's more, the price can vary substantially between different agents. Best do your homework (and legwork). It can save you a bundle.

3. “What do you mean I can’t open an account?”

Back home, you can stroll into a bank in your flip-flops and set up a new account. By contrast, in order to open an account in some countries—even as a foreign resident—you’ll need a personal introduction from someone already doing business with the bank. In others, non-resident accounts are disallowed entirely. In many cases, you’re likely to feel like you’re attending a job interview—be sure to dress to impress!

4. Save up to 30%

Some real estate markets can be highly negotiable, by as much as 30%. If you pay in cash, you’re likely to have more bargaining power. Also, in some markets a practice known as *net commissions* operates in which agents earn their money on the “net,” as opposed to a fixed commission (as in the U.S.). In other words, the seller stipulates an amount he or she would like to receive for the property in question. Anything over and above that amount goes into the pocket of the agent. As such, the agent is motivated to inflate the price. Yes, it reeks of corruption! But it’s legal. Your job is to call the agent’s bluff.

5. Buy what you see

Real estate agents are...optimistic. Let’s leave it at that. They like to tell us about the possibilities. The roads that *will* be built, the facilities you *will* have access to. Thing is, once you’ve signed on all those dotted lines, you’ve purchased exactly what you see—nothing but. Not to sound pessimistic or suggest that agents simply want to make a sale (ahem), but there is no guarantee that any of these possibilities will come to fruition. Consider this a hard and fast rule: buy what you see.

6. In your purse, pocket, or backpack: a current bill

You'll need to prove your residency for a whole host of services: getting a library card, motor insurance, video store membership... In most cases, a current electricity bill will do the trick, but this varies between countries. A current pay stub, phone bill, or other document may prove invaluable.

7. Tax planning

We recommend that you seek the advice of an international tax planner in the country in which you seek residence—*before* you move there. Allowances, deductions, structures, and regulations vary from country to country and learning how these pertain to your circumstances can save you a lot of money. Knowing the facts as far in advance of your move as possible will help you to plan accordingly.

Because your obligation to the U.S. follows you abroad, you'll also need a U.S. tax planner. Even if you don't owe U.S. taxes, you'll still need to file a return as a non-resident American. The best adviser we've found is Richard Leonard (*website: Richard-L-Leonard.com*), a former IRS agent now living abroad. For more information, check out our *Expatriates Tax Bible* at www.agora-inc.com/reports/120SEGTA/1120FB1/.

8. A few common sense don'ts

Don't make a down payment on a property using your American Express card. Don't accept anyone's word that a land in question has clear title—always check. Don't buy the first property an agent takes you to see. Even if you love it, make a point of viewing a number of properties first. If you still simply must have that property after a second viewing, take a deep breath and decide the following day after a

good night's rest. Also, don't buy during your first visit to a country. By contrast to the country you're itching to get out of, a fresh encounter with a new place can throw stardust in your eyes...

9. The six-month rule

So, you breeze into a new town...perhaps you have a margarita in the sunshine. The locals are charming, the town quaint. Over a \$10, three-course meal at the local restaurant, you turn to your significant other and say, "Home, at last."

Well, before you commit to your new life in a foreign land, we'd like to offer a smidgen of advice. We call it the six-month rule. Simply put, we advise that you spend at least six months in the locale in question before moving there. It's important to visit during off-season as well as during peak times. Residing permanently and visiting fleetingly are quite different experiences. We've learned that the hard way. Moreover, although the real estate market varies between countries, in many cases, selling and re-buying can be quite costly.

10. Buy new stuff in the new place

In most cases, we've found shipping belongings abroad to be costly and unnecessary. Particularly in the case of power tools and electronics, it's often best to purchase items in the new locale because your U.S.-manufactured products won't always function abroad (or without the aid of an unwieldy transformer box).

Unique items, such as antiques, can be damaged during transport. What's more, *not* bringing them along will give you a reason to trawl the local flea markets and antique shops in your new town. In many cases, older, better quality antiques can be purchased for less money outside the U.S. Why not let a trusted friend or relative back home look after your heirlooms while you're exploring your new environment?

11. This can't be about convenience

The U.S. is, without question, the most comfortable and convenient country in the world. If this is your priority, it may be best for you to stay put. For instance, there aren't many places in the world where you can get a steak sandwich at any hour of the day or night other than in New York City. On the other hand, if you're looking for an adventure, a slower pace, or a lower cost of living, there are many appealing places to consider.

12. Communication is key

Moving overseas is a major step. If you're planning to relocate with a significant other or an entire family, discuss all concerns openly and early in the process. What are your priorities? If it applies to the country in question, are you willing to learn a new language? Are you concerned about local health care? Can you deal with the local weather? Do you want to live in a city or a rural or beach area? It's best to voice all concerns, allay any fears, and enter into this adventure with the full participation of all parties involved.

13. A tax dressed in sheep's clothing

Every country has tax. It just may not take the form you're used to back home. For instance, some countries don't charge property taxes as such, but impose local "rates." Six of one if you ask us... Similarly, some countries don't charge capital gains taxes but do tax capital gains on real estate at regular income levels. We suggest you bone up on tax 101 for the country in question by contacting an expert.

14. Health matters

Most U.S. health insurance won't cover you abroad. As such, you'll need international health insurance. BUPA is fairly comprehensive and affordable at \$640 per person per year; it covers the patient anywhere in the world. According to Dan Prescher and Suzan Haskins in San Miguel de Allende, Mexico, you can get government insurance (IMSS) for about \$250 per year there. Private insurance in most countries will cost you a fraction of what it would in the U.S.

15. Virtually resident

In many situations—such as ordering online and through mail order catalogues—you'll find it advantageous to maintain a U.S. street address (not a P.O. box). This can be a friend or relative's address (assuming they don't mind). We recommend having the mail forwarded to you on a monthly basis. Both UPS and Federal Express offer mail forwarding services as well as online account management.

16. Back to school

If you don't have an exceptional "ear" for language, learning a new one can be particularly difficult. Even for those to whom language comes naturally, a focused study will be necessary to get up to speed in a reasonable period of time. While you can eventually learn the language "as you go along," life is short. To get the most out of your adventure, you'll want to be conversable as quickly as possible. If the challenge strikes you too great, consider a country where English is spoken.

17. Paying what the locals do

In many countries, there are effectively two real estate markets: local and "gringo." As a foreign buyer, you can expect to pay more than

a local. The goal is to reduce that disparity—and it can be substantial—by using an intermediary. Find a local you can trust, such as a friend, relative, in-law, or recommended agent.

18. Go the independent route

Rather than use a developer's attorney, we encourage you to use an independent attorney when purchasing real estate. Seek the recommendation of a local expat you trust. Where applicable, please don't hesitate to contact our local *International Living* office.

19. Word of mouth beats the phone book

A personal recommendation for a plumber, carpenter, tradesman, or electrician is worth its weight in gold. In our personal experience, we've found that these contractors' prices vary substantially as does the quality of their work. If your next-door neighbor had a satisfactory experience with a particular tradesman, chances are you will too.

20. What's in a name?

After doing your homework, you may find it more advantageous to buy your property through a corporation or trust than to purchase in your own name. In other instances, co-owning with an heir may prove beneficial. What works best for you will depend on a number of variables—inheritance and tax issues, jurisdiction, and personal circumstances. Check out all the options available to you before inking the documents.

21. Don't get talked out of title insurance

Title insurance is crucial because it necessitates the ironing out of problems (such as unclear title) before it's too late. Should any matters

remain unresolved, you are then free to walk away from the deal. Real estate agents are likely to try to talk you out of this important safeguard. Why? They don't want their sale delayed or spoiled. Make this point non-negotiable: title insurance or no sale. It's as simple as that.

22. Calling mom is more expensive than you think

Your phone bill may be one of your biggest expenses, particularly if you're lonely for the good ol' U.S. At the minimum, find a cheap long distance service. Internet telephony is an even better option and is becoming increasingly efficient. Look into Vonage, website: www.vonage.com; Delta Three, website: www.deltathree.com; and Net2Phone, website: www.net2phone.com.

23. What do you mean I can't get a mortgage?

Yes, your credit is great and you own a lovely home back in the States. For heaven's sake, you're an upstanding citizen. So, why is it so difficult to get a mortgage in the country you're considering? The U.S. is, without doubt, one of the easiest places in the world to obtain financing for real estate. While it is fairly accessible for foreigners to obtain financing in much of Europe, the U.K., and Ireland, the terms will strike you as rather conservative (think high interest rates and stringent terms). In much of Latin America, it's extremely difficult to obtain a loan from a local bank and, where it is possible, the interest rates are exorbitant. You might consider securing an equity loan on your U.S. home to fund the new purchase or access funds from an IRA or other retirement account.

24. Can you call this place home?

Low cost of living and cheap real estate aside, you need to really love the place to which you're moving. Getting the most for your money

does not necessarily translate into a happy life. If you don't like the culture, the food, the weather, or the people, you're not likely to make a satisfactory transition. Of course you'll experience a certain amount of culture shock, frustration, and the odd bad day but, as a whole, you need to be able to feel at home here. As such, it's important to spend an extended period of time in the area before committing. (See *The six-month rule* on page 5.)

25. I'm freaking out! Now what?

Just ride it out. Using internet telephony (see *Calling mom is more expensive than you think* on page 9), contact a friend or relative for a nice chat. You'll have days, particularly during long winter or sweltering summer months, where you'll ask yourself why you left your comfortable homeland. It's all part of the process. It may come in waves or strike you at the three-month or year mark. In most cases, the panic will pass. If the feeling persists or gets worse, you may want to seriously consider packing up and heading home—or to another country. The way we see it, life's too short to stay put in a place in which you can't find fulfillment. In the worst case, chalk it up to experience and know that you gave it your best shot!

Further Resources

The World's Best: The Ultimate Book For The International Traveler

We asked our network of 200-plus seasoned travelers and expatriates to open their personal vaults and share their best travel adventures with you, all the straightforward facts on 46 countries spanning six continents, plus hundreds of surprises and secrets. The result is a whirlwind, one-of-a-kind, breathless armchair experience. Better than a letter from a friend, quirkier than a brochure, more personal than a guidebook, *The World's Best* is just that: a subjective set of bests that will entertain you for hours on end. I dare you to stay in the armchair for long after you get a taste of the best the world has to offer you.

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