

An Alternative Solution to the Retirement Crisis

After writing about some of the reasons for the [potential retirement crisis](#) a few weeks ago I gave the standard prescription for the solution for most retirees -- a combination of working longer, living on less, and reducing expectations for their retirement dreams.

Then I received an email from a two of my retired readers, Edd and Cynthia, who took a different approach -- they retired abroad. Like many others, they had a difficult time following the financial crisis with both work and their finances so they got creative with their retirement solution and moved to Ecuador where the cost of living is much lower.

People are constantly trying to emulate world class investors but I think most would be better served looking up to normal people who have been able to find a happy, successful retirement.

What follows is Edd and Cynthia's story as well as a short Q&A we had through email about their experience. Retiring abroad won't be for everyone but this is a cool story about normal people getting creative to solve a financial problem and retire on their own terms.

Here's Edd and Cynthia:

As 2008 began we were on a roll. Edd had recently been honored as "National Salesperson of the Year" by his company and Cynthia was selling a high-end condo development on the shores of Lake Las Vegas. We earned great incomes and lived in a beautiful home. Our investment strategy looked solid and the enjoyable retirement we had envisioned for so long was only a few years away.

Six months later our world turned upside down as we were engulfed by "The Economic Tsunami of 2008." Both jobs vanished and the value of our investments was shrinking by the day. We desperately sought new employment but the job market had also disappeared, especially for middle-aged sales professionals seeking high compensation.

As the months dragged by and our financial situation became more desperate we realized that the conventional wisdom we had always followed--hanging in there, staying the course--was no longer serving us. A radical solution was needed. Now.

We decided that preserving our remaining assets, retiring early and relocating somewhere overseas with a lower cost of living was our best bet. But to make such an extreme move a reduced budget wasn't enough. Our wish list also included a temperate climate, excellent health care, proximity to our family in the U.S., plus cultural amenities and modern conveniences.

Internet research turned up a location that seemed to check all our boxes. It was a small city we'd never heard of in a country we knew next to nothing about--Cuenca, Ecuador.

We scheduled an investigative trip in July of 2009, loved everything we experienced, and immediately made plans to move to Cuenca the following May. Preparations were going smoothly until January when we were rocked with another setback--Cynthia was diagnosed with breast cancer.

By now we were fully committed to this relocation and there was no turning back. Surgery was immediately performed followed by radiation therapy specifically designed to support our schedule. Shortly after her final treatment we were on the plane to Ecuador.

Flash forward seven years later. Cynthia's cancer-free and against overwhelming odds we've never been happier. We live in a beautiful 3000 square foot two-story penthouse apartment with 270 degree views of the surrounding Andes mountains. The weather is spring-like year round, and we're only hours away from our kids and grandkids.

Our budget includes a housekeeper, dining out 4-5 times a week, gym and yoga studio memberships, fresh flowers, mani/pedi's, plus national health insurance (100% coverage with \$0 deductibles).

And how much is that budget? Less than \$2000/month.

For folks in their 50's and 60's who, like us, suffered a major financial setback, or who for whatever reason just haven't saved enough, the standard advice to work longer, save more, and after doing all that accept a meager retirement is, well, not acceptable. Moving abroad as we did provides the opportunity for a retirement lifestyle that can greatly exceed expectations with zero stress and 100% freedom.

PS. As a finance guy you'll be interested to know part of our capital is invested in one year, government-insured CD's that earn 10% interest.

What are some of the biggest drawbacks of retiring outside of the country?

- 1)The psychological distress of being apart from family and friends, especially if grandchildren are part of the picture. This can be alleviated by an adequate travel budget for regular trips back home.
- 2) Adapting to a different language and culture. Some new expats have the mistaken expectation that moving abroad is simply a cheaper version of life in the U.S.

How difficult was the transition from a paperwork perspective?

Shifting everything online involving paperwork in your home country makes life abroad much easier. Banks, credit card and investment companies, and other ongoing bills you may have will most likely offer this option. For the rare situation when you would need to receive mail, many expats maintain an address of record with a family member or use a service like US Global Mail. Since paperwork in foreign countries is often extensive and confusing, we highly recommend paying qualified attorneys for their professional guidance with legal transactions, including property purchases and visa matters. We have found legal fees abroad to be generally much less expensive than in the U.S.

What's something most people wouldn't consider when making this type of move?

Many people our age move abroad primarily to enjoy a better quality of life with a lower cost of living. The surprising discovery your new relaxed lifestyle reveals is how debilitating the stress level was that you unknowingly carried around for years. It really is a silent killer. So without sounding dramatic, for someone facing retirement who is financially under-prepared for whatever reason, this "type of move" where the cost of living is now affordable could add many stress-free years to one's life. Since retiring to Ecuador this has certainly been true for us.

How long did the planning process take to make it happen?

Of course, there's no standard answer here. Our life was fairly complicated, so it took us about a year to unravel everything and make the move. We discovered Cuenca online in May of 2009, traveled here for our investigative trip in July, and arrived as new residents May of the following year. Even though this seemed like plenty of time to prepare, some last-minute obstacles caused a bit of scrambling at the end.

Thinking about any other locations or are you happy where you are?

After 7+ years here the subject of "what's next?" has recently been broached, but honestly at this point in time there's no itch to scratch. All the attributes that initially drew us here are still in place, and Cuenca just keeps getting better and better.

What are the biggest financial hurdles to pulling this off?

Our biggest hurdle was summoning the courage to abandon the retirement plans we'd nurtured for years and head off on a radically new path. Once that decision was made there was no looking back. We arrived in Cuenca intending not just to "live" but to create a fulfilling life, and to make this new direction work at the highest possible level. And it has. We also had to overcome the hurdle of our own skepticism that a satisfactory retirement financed by Social Security income was doable. On our investigative trip we experienced firsthand a truth that our subsequent residence has

confirmed--moving abroad offers an affordable lifestyle that exceeds expectations.
