

"Wise investment advice delivered with clarity and humor."

—Burton G. Malkiel, author of *A Random Walk Down Wall Street*, 11th Edition

MILLIONAIRE EXPAT

How to Build Wealth
Living Overseas

SECOND EDITION



Andrew Hallam

Bestselling Author of *MILLIONAIRE TEACHER*

WILEY

Additional Praise for
Millionaire Expat, Second Edition

“When international schools and employers hire an expatriate, their HR departments should give them a copy of *Millionaire Expat*. Life as an expat can be exciting. But years of excitement can turn into years of despair for those who spend too much money and fail to save and properly invest. Andrew Hallam urges expats to plan for their futures and to calculate how much they should be saving to reach their financial goals. His investment guidelines aren’t a matter of opinion. They are evidence-based realities, explaining why we all should invest in a globally diversified portfolio of low-cost index funds and never speculate on stocks, times, managers, or styles. This is a must-read book!”

Mark T. Hebner, author, *Index Funds: The 12-Step Recovery Program for Active Investors*, featured in the documentary film of the same name, and founder and president of Index Fund Advisors, Inc.

“Expats generally move away to seek a better life and career. But then building wealth can be a tough and independent pursuit. Mr. Hallam explains in a straightforward way how to live below your means, invest in low-cost passive index funds, and avoid those cunning ‘investment sharks,’ so that you can focus on your life and career—and not stress about your financial future.”

Robin Speziale, national best-selling author, *Market Masters*

“*Millionaire Expat* is like a trusted shield, protecting expatriates from the industry’s self-serving dragons. Andrew Hallam describes investment strategies that are aligned with academic evidence, not the sales-driven rhetoric to which so many naïve investors get burned.”

Larry Swedroe, co-author of *Your Complete Guide to Factor-Based Investing*, *The Incredible Shrinking Alpha*, and *Reducing the Risk of Black Swans*; director of research for the Buckingham Family of Financial Services

“Andrew Hallam’s books are a must-read for anyone sick of buying Porsches for other people. If you’re feeling overwhelmed by cold-calling, graph-thrusting, 25-year-plan-touting financial advisors, then you need to hear what Andrew has to say. He’ll give you the knowledge and confidence to make your own investment decisions, as well as the ability to sniff out the genuinely good finance professionals from those who see you as just another source of commission.”

Brandy Scott, presenter on *The Business Breakfast*,
Dubai Eye 103.8

“Education’s failing around the globe lies in the high amount of people who are not financially literate. We go to work on a daily basis and somehow hope that 20 or 30 years down the line we will have enough money put aside to keep us in retirement. What Andrew illustrates clearly is that becoming more financially literate does not take a long time (this book only took me a few hours to read) and will save you hundreds of thousands of dollars in the long run. By reading it you are investing in both your own education as well as learning how to wisely invest your own money. Don’t leave it to chance or, worse, someone else. As an expat teacher, I make sure there is a copy of this book in our staff room.”

Simon Kenworthy, headmaster of Cranleigh Prep School,
Abu Dhabi

“Andrew Hallam has a huge, international following. I call them Hallam-ites. Expatriates pack auditoriums to hear him speak. But *Millionaire Expat* is even better than his talks. It’s a humorous page-turner that’s packed with solid academic evidence. It provides a step-by-step guide for investors of every nationality. If Warren Buffett had the time (and a quirky sense of humor), I think this is the sort of book he would have written for expatriates. After all, Buffett has instructed that his estate be invested much the way Andrew Hallam describes in *Millionaire Expat*.”

Sam Instone, CEO, AES International

“*Millionaire Expat* combines wit and wisdom. Andrew Hallam’s irreverent examination of the expat investment world is very carefully researched. The book is full of unambiguous actionable advice that will help anyone residing away from home who is trying to build financial security and hates being ripped off. The addition of sections on socially responsible investing hits a chord with me. Buy it, read it, and get into action.”

Ben Sherwood, principal, Hillier Hopkins LLP, Chartered Accountants and Tax Advisors, UK; author, *The 7 Secrets of Money*

“The majority of offshore financial salespeople should fear this book. All expatriates should embrace it. Packed with numerous real-life examples and well-researched, practical advice, this book should be compulsory reading for any expat looking to be smart with their money. Buying this book and reading it could be the best investment you ever make.”

Jason Butler, financial well-being expert and *Financial Times* personal finance columnist

“The seas of expat living can be rough at times, and there are sharks preying on the fresh and inexperienced. Andrew Hallam and his book *Millionaire Expat: How to Build Wealth Living Overseas* is the perfect antidote to this. Hallam’s advice will help you make the move worthwhile. His humorous, straightforward, and expert guidance means that you look after your hard-earned investments and actually make your money work for you. The book may cost you \$20, but it will save you thousands!”

Kate Bradley, headmistress, LCIS (La Côte International School), Nord Anglia, Switzerland

“Expat investors have it tough. Not only must they understand the complicated logistics of managing their portfolio in overseas accounts, but they may also be preyed upon by local advisors who see them as hapless tourists. That’s why *Millionaire Expat* is such a unique and

important book. No one has more firsthand experience helping expat investors than Andrew Hallam, and no one is more generous in sharing his knowledge.”

Dan Bortolotti, CFP, CIM, PWL Capital, Toronto

“Andrew Hallam is living proof that ordinary people can build extraordinary wealth by investing in simple, low-cost index funds. His no-nonsense approach—live within your means, buy and hold, avoid speculation—worked for him, and it will work for others who live abroad and want to avoid the predatory investing practices that are all too common in many foreign countries. *Millionaire Expat* really is a great guide for expatriates.”

John Heinzl, *The Globe and Mail*

“The advice in *Millionaire Expat* is simple but well thought out, fully explained, and easily understood. I now supply a copy to all of our teachers to help them through the minefield of investing and preparing themselves for their future retirement. I would thoroughly recommend this book to anyone looking to enter into the market and, while especially relevant for those ‘expats,’ the principles apply wherever you are in the world.”

Kieran Dempsey, bursar, Dubai College

“If you’re an expat—or simply thinking of becoming one—*Millionaire Expat* will teach you all you need to know in a simple and engaging way. More important, the financial info it lays out to help you successfully manage your money—in sometimes unfamiliar lands—is rock solid. At the same time, it shows you the red flags to watch out for, including being wary of offshore investment salespeople. They are often long on promise and short on delivery. Without a doubt, *Millionaire Expat* is a financial must-read book.”

Julie Cazzin, senior editor, *MoneySense*

“I purchased a copy of this book’s first edition for every member of my staff. This second edition is even better. *Millionaire Expat* should be

mandatory reading for any expatriate corporate or educational wellness program!”

James Dalziel, GEMS, director of Educational Operations for
Continental Europe

“Unlike most financial writers, Andrew Hallam has actually been successfully doing what he recommends to his readers. In *Millionaire Teacher*, he showed how the son of a mechanic who became a high school teacher could become a financially independent millionaire by following a few simple, albeit hard-to-follow, commonsense rules. Now, in *Millionaire Expat*, he shows how expats could achieve financial independence by following the same rules.”

Michael O’Higgins, author of *Beating the Dow*, *Beating the Dow with Bonds*, O’Higgins Asset Management, Inc.

“If you’re currently an expat—or planning to be one—do yourself a *huge* favor and pick up *Millionaire Expat*. Andrew Hallam has literally spelled out a proven approach to investing that is easy to follow and will give you a better-performing portfolio than the majority of investors have. At the very least you’ll learn to stay away from high-cost investment schemes, and at best, you’ll become a better investor than the majority of investors out there. Read this book!”

Joe Snyder, CIM®, product analyst, Tangerine Investments

“This book allows expats to plan for their future, avoid financial sharks, and build a solid retirement plan. As a lifelong teacher, I love Andrew’s motivation—learn and execute. When you know better, you do better—and I did!”

Colin Boudreau, head of school, Benjamin Franklin
International School, Barcelona, Spain

“I was very fortunate to have discovered Andrew Hallam’s website upon making the decision to move overseas. I immediately purchased his book *The Global Expatriate’s Guide to Investing*, and it became the single most important resource guiding my expatriate financial planning.

Andrew's background as an educator is evident in the clear and understandable presentation of complex tax and financial planning concepts. I believe that *Millionaire Expat* will have a dramatic impact on the future financial well-being of those who choose to save and invest following Andrew's recommendations and cautions."

Diane Stone, CA, CPA, director of Finance and Business Operations, American School of Dubai

"I had not paid much attention to our family's financial health. I had a financial advisor taking 1% to manage our portfolio of actively managed funds. I thought, 'Hey, what's 1%? What a bargain!' Wrong! Including the actively managed mutual fund fees, I paid more than 2% each year. Using the information in Andrew's books, we have changed financial advisors and shifted everything into index funds. What used to leak out the back door is now staying home to support us. We teachers tend to ignore these important financial issues, at our peril. *Millionaire Expat* is clear, important, and life-supporting!"

Dave Straffon, middle school principal, AIS Vienna

"Andrew Hallam's *Millionaire Expat* demonstrates solid, practical, real-world investment strategies. They're designed to keep costs low, realize the value of diversification, and avoid the pitfalls of speculation and self-serving financial salespeople. Every expat needs to read this book!"

Kennon Grose, CEO, AssetBuilder

"It is so good to see Andrew's actionable wisdom in his book *Millionaire Expat*. Its conversational style and thematic importance reflects Andrew Hallam's personal finance class. As a high school counselor at his former school, I saw that his class was a magnet from day one. It became obvious that today's students seek physical, mental, *and* financial well-being. Most impressive were the conversations students began having with their parents about how *not* to leave their financial lives to chance. *Millionaire Expat* reflects the lessons that his students were lucky to learn."

Frieda Dietrich, recipient, 2013 Lifetime Achievement Award, OACAC (Overseas Association for College Admission Counseling)

“*Millionaire Expat* is a must-read for expat investors! Learn why most financial advisors are merely salespeople in disguise, selling investment products, selling predictions, and lacking a fiduciary duty to act in your best interest. As a result, expatriate investors overpay for advice and product recommendations that serve the investment industry first and the investor second. *Millionaire Expat* walks you through the conflicts of interest between investors and their ‘advisors,’ and it shows how to avoid excessive fees that reduce returns. Andrew Hallam describes the parameters of a properly diversified portfolio, how to win over the long term, and why index funds provide a solid investment solution.”

Chris M. Turnbull, CFA, CFP, TEP, The Index House

“Andrew has already saved millions of dollars for expats around the world by teaching them the principles of simple, smart investing. This book has become the bible for all members of our community and we recommend it to all expats who want to protect and grow their wealth.”

Sebastien Aguilar, Founder of SimplyFI.org—Common Sense Personal Finance and Investing, the UAE Bogleheads Chapter

“Once again Andrew Hallam delivers exactly the kind of investment book expatriates around the world need. Its simple, clear advice helps to steer those living away from home onto the right financial path, while ensuring they stay well away from predatory investment schemes that litter expat destinations.”

Alice Haine, personal finance editor, *The National*

Millionaire Expat

*How to Build Wealth
Living Overseas*

Second Edition

Andrew Hallam

WILEY

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Foreword

I was shocked recently to realize that I've been reading personal finance books for 40 years and writing about the topic for 30. (Yes, I started when I was just months out of the crib, thank you.) Over the decades, I've perused hundreds of popular words in the field and I've developed a three-point checklist to quickly determine whether any author is worthy of attention. The key questions are these: Is he or she impartial and noncommercial? Does he or she base their recommendations on sound academic evidence? And—just as important—can this person make me laugh?

Andrew Hallam is one of the few people to earn full marks on this three-point checklist. He's not trying to sell me anything. He knows his research. And he's not only funny but enormously likeable.

Now that last quality may strike you as a bit superficial, but I would argue it's not. As much as I admire many of the leading academic writers in this area, and as eagerly as I read their thoughts, I would not want to go on a long camping trip with any of them. They're fine friends to have if you're trying to debate a point or test a hypothesis, but they're not the folks who are going to inspire you to change your life, get your spending in order, or do any of the other chores necessary to build your wealth.

The unavoidable reality of personal finance is that it's personal. What I've always enjoyed about Andrew's writing is that it springs from his life. When he tells you about stock markets or investing strategies, he's telling you about areas he's experienced himself—and not as an academic, or as a highly paid fund manager, but as an ordinary working stiff. His background gives him an unusual ability to sympathize with you, me, and other regular people. Most of us would like to become millionaires on middle-class salaries. Andrew has done exactly that. As a result, he can offer an unusually personal take on what works and what doesn't.

This book in particular fills an important need. More and more of the world's best and brightest folks are now working abroad. They operate in a world that is liberating but also risky. Expats typically make more money and pay less tax than many of their peers back home. But, as a consequence, they're ripped away from the dependable anchor of state pensions and social safety nets. If they want to replace those familiar stand-bys in their new homes, they have to navigate a sea of odd companies with unfamiliar names, all of them peddling indecipherable financial products with murky guarantees.

Andrew has been there. A Canadian with British roots, he spent years teaching high school in Singapore. So he's heard the same sales pitches you have. The difference is that he knows how much of those pitches is pure, unadulterated bunk. (Pro tip: If you're in any doubt, set your personal bunk-o-meter to "a lot" and move the dial up from there.)

To be sure, there are many consumer advocates. What separates Andrew, to my mind, is that he's also unusually skilled at communicating what he knows. I attribute this to his years in the classroom.

A personal note: Several years ago, Andrew convinced his high school to fly me over to teach a week of classes on writing. Until that time, I had always assumed I fell into the category of Somewhat Interesting Person. Sadly, there is nothing like addressing a morning class of 15-year-olds to reveal your personal excitement quotient. After a day or two of attempting to teach teenagers, I was horrified to discover I was human Ambien. The nodding heads of my students told me I was doing everything wrong.

Andrew was kind enough to offer tips about breaking lessons into easily mastered chunks, providing frequent but not obvious repetition,

and using humor to communicate serious points. I see those same techniques at work in this book. So if you've always found personal finance to be a snooze, think again. Andrew has the knack of making the subject both easy and fun.

He's also, in a quiet way, inspirational—the great missing quality in much personal finance writing. Anybody can hector us to spend less and invest more. What is difficult is explaining that bringing your money situation under control isn't torture and can even be fun. What many books fail to communicate is that the great payoff from becoming master of your financial domain is that it allows you to go further, do more, and live better.

Andrew certainly does all those things. For years now, I've lived vicariously through his adventures. Whether he's biking through Vietnam, swimming on a Thai beach, driving an RV to Mexico, or doing something equally outlandish, he boldly goes where few of us have gone before. Along the way, he somehow manages to be both budget conscious and funny. Many investors, for instance, idolize billionaire Warren Buffett and even fly thousands of kilometers to attend his annual get-together in Omaha, Nebraska. To the best of my knowledge, though, Andrew is the only attendee to ever write the great man and ask if he could sleep on his couch. (True story. It got written up in the *Wall Street Journal*.)

If your own journey into personal finance is just beginning, I highly recommend Andrew as the ideal traveling companion. He will make sure you see all the essential sights while painlessly communicating great reams of useful knowledge. And, yes, oh yes, he will make you laugh.

—Ian McGugan, *The Globe and Mail*

Acknowledgments

In 2009, my friend Patrick Green said I should start a blog. We were at a party in Singapore. He loves the occasional beer, but that night, he was a little tipsy.

The next day, Patrick phoned me. “Andrew, remember what I was saying about that blog? You really need to start one.” I didn’t think he would remember.

I half-heartedly mentioned it to another friend, David Dixon, later that afternoon. David’s a tech wiz. “I’ll manage the blog,” he said, “you just write the stories.” So that’s what I started to do at www.andrewhallam.com.

I also continued to write articles for finance magazines. In 2011, I wrote an international best-selling book, *Millionaire Teacher*. That brought a whole new group of readers to my blog. Many of them were expats. They asked, “How do I build a portfolio of index funds while I live overseas?”

I had been using Singapore’s DBS Vickers brokerage since 2003. But I didn’t know, for example, how a British engineer in Kuwait could invest in a portfolio of index funds. To help these people, I did a lot of digging. I asked a lot of questions.

My readers introduced me to offshore pension products, such as those created by firms like Friends Provident and Zurich International. I had no idea that they were so prolifically sold. I wanted to do what I could to keep people away from them. I asked readers questions. I dug into their prospectuses and continued to research. I helped other readers. But they also taught me too.

Thanks to Patrick Green and David Dixon, the blog at www.andrewhallam.com soon became the world's most comprehensive site for expatriate investors. It was the genesis for this book's first edition, *The Global Expatriate's Guide to Investing* (Wiley, 2015).

That's why Patrick Green, David Dixon, and my many readers deserve my heartfelt thanks.

I would also like to acknowledge investment writers Ian McGugan and Scott Burns. They're the best personal finance writers I know. Scott retired in 2017, but he continues to guide my writing.

If this book is easy to understand, with a dash of humor, it's largely thanks to Ian and Scott.

The expats profiled within these pages also deserve my heartfelt thanks. You let me pry into the good, bad, and ugly aspects of your personal financial lives. And this book is far more instructive (and, I hope, entertaining) because of your generosity.

Saintly financial advisor Tony Noto also helped greatly with my section on American individual retirement accounts (IRAs). I'm not sure if your clients know, Tony, how fortunate they truly are.

My agent, Sam Fleishman (the man who appears never to sleep), worked tirelessly to ensure I was given a strong publishing contract. We haven't met in person. But based on his tenacity, I wouldn't recommend fighting Sam in a no-holds-barred cage match.

I would also like to thank my publishing team at John Wiley & Sons and Andrew Chacko, for his editing wisdom.

Finally, to my lovely wife, Pele, you tolerated my mission, working as my editor and time manager. I look forward to the rest of life's journey with you.

Introduction

The man stood naked. His back and butt were clean. But his arms and legs were caked with mud. He held a towel in his left hand as he stood behind his pickup truck. With his right hand, he held a running shoe.

A couple strolled behind him, along a grass trail beneath an overcast sky. The walkers looked furtively at the naked man. No, I wasn't one of the walkers. Nor was I (despite what many of my friends might think) the naked guy behind the truck. It was simply a full-page advertisement for Adidas in *Runner's World* magazine. It read, "Runners. Yeah, we're different."

In 1999, Adidas published a slew of similar ads. They showed the eccentricity of the long-distance runner. Runners might be different. But expats are too. My friend, Catherine Parent, lives in Indonesia. She recently posted a picture of her toothbrush on Facebook. It was in a cup . . . with a cockroach. Her caption asked, "To brush or not to brush?"

My friend, Debbie Woodfield, lived in Asia for years. The New Zealander posted a photo of a drink menu at a café in Laos. They offered Lao Coffee, Espresso, and . . . silkworm poo tea.

Expats don't leave their home countries for giant bugs or poo tea. Most of us just want to experience something different. Some of our friends back home marvel at our bravery, or they think we've lost our marbles. But unless you're living and working in an active war zone, living overseas might be as safe, or safer, than the life you left behind. That said, there is one risk that many expats face. We risk running out of money during retirement.

You might wonder what I'm smoking if you're on a cushy expat package. After all, there's a large league of expats in Southeast Asia and the Middle East who make bucket loads of cash.

They left their home countries to teach at international schools or work abroad in industries such as banking, information technology, oil, cosmetics, pharmaceuticals, and shipping. Many work for firms like Coca-Cola, American Express, Johnson & Johnson, Google, Microsoft, and Exxon Mobil.

Not all expats (including millions in Europe) make massive sums money. But even those who do face financial risks.

In 2003, when I left Canada to teach in Singapore, I kissed goodbye to a defined benefit pension. Had I continued with my former job, I could have paid off a home, contributed modestly to investments, and received pensionable income for life.

By comparison, most expats run naked. Many don't realize they would need more than a million dollars in the stock market or multiple mortgage-free rental properties just to equal, for example, the retirement benefits earned by most public-sector workers in the United States, Britain, Australia, or Canada.

Such benefits are globally waning. But they're still a reality. Governments offer additional monthly cash: Social Security (for Americans), Canadian Pension Plan for Canadians. In fact, most developed world countries offer retirement benefits for their respective home-country workers. But it's different for expats. Few expats contribute to their home-country social programs once they've moved abroad. Without maximizing contributions to these plans, they can't fully open their mouths to such morsels once they've retired.

One of my former colleagues learned this the hard way. She's American. But she taught overseas for most of her career, so she contributed little to US Social Security. While working abroad, she earned

a lot of money. She furnished her large apartment with fine carpets. She bought beautiful jewelry. She enjoyed flashy holidays—often flying business class to five-star resorts. Unfortunately, she didn't save much. Today, my friend is back in the United States, renting a room in somebody else's home. She's 70 years old and struggling far below the US poverty line. As Warren Buffett says, you only know who's swimming naked when the tide goes out.

In sharp contrast, I also taught with a couple who retired with about \$5 million dollars in their investment account. That's a lot of money—especially for teachers. They paid for their two daughters to go to college. They own a mortgage-free home. They lived well as expats and retired fully clothed. But they were great planners.

My wife and I were similar. When I first started investing, I wanted to retire at 40. I was 19 years old and saving like a lunatic. I won't confess the screwy things I did to pinch pennies. Instead, I want to share what I did right: the part you'll find helpful. I planned how much money I wanted to save, and why. Such planning, even more than the hyperactive saving, made my life a heck of a lot easier.

In 2014, shortly after my 44th birthday, we retired from our Singapore-based teaching jobs. That doesn't mean we live like trust-funded hedonists. Nor does it mean we'll never work again. It does mean, however, that our private parts aren't sitting in somebody else's vise. A few years back, if our boss had gone on a firing spree, sacking skinny bald guys and bilingual blondes, we would have been fine. We had enough money to survive without working.

We saved and invested in the stock and bond markets—in a manner that I detail in this book. Fortunately, we dodged the armies of silver tongues who peddle horrible investment products. If we hadn't, we would still have to work for many more years.

Such investment schemes are sold most prolifically to British expats. Expats of every nationality, however, get sucked in. These schemes get pushed like Viagra. But they leave investors limp. Investors pay obscenely high fees. That's why they rarely make money when the gains (if they exist at all) are adjusted for inflation. The salespeople who sell these schemes make Everest-sized commissions—sometimes totaling more than \$1 million a year. That's why some of these salespeople bribe their current clients. "I'll offer you a free iPad," they might say, "if you

give me the contact details for 10 of your friends.” Victims get locked into 10-, 20-, even 25-year schemes.

Once an investor catches on to the fee-burdened riptide, it’s often too late. Those who scramble out of the water face redemption penalties. Some could lose everything if they try to sell early. What’s worse, many overseas employers welcome financial sharks into their company seal pools. With the best of intentions, they endorse offshore pension sellers, most of whom have a single purpose: to reap the highest possible commissions from unwary workers.

But it doesn’t have to be this way. Expats can enjoy the best of both worlds. They can live adventurous (even luxurious) lives *and* retire wealthy. But they need to save and invest effectively. I’ll show you how to do that.

I’ll show where you can open your investment account, while describing how to make investment purchases for different nationalities.

The strategy I describe beats the returns of most professional investors. Best of all, you won’t have to watch the stock market, follow the economy, or read the dull business pages of *The Wall Street Journal*. This strategy takes about 60 minutes a year.

Don’t believe me? Good. Don’t believe anyone who talks to you about money. That goes double for a financial salesperson. Consider everyone a shark, until proven otherwise. Use the Internet as you read this book. Confirm all my sources.

Does 60 minutes a year sounds like too much time to spend on your investments? No problem. You could hire a scrupulous financial advisor. I list some in this book. They would build you a portfolio of low-cost index funds. Nobel Prize winners in economics recommend these products. Warren Buffett does too. In fact, Mr. Buffett says that when he dies, his estate will be invested in index funds.

I’ll explain what index funds are and how they work. I’ll also show you how to buy them.

Millionaire Expat outlines how to plan for your future. How much money should you invest, based on *your* future needs? How much of your investment portfolio can you afford to sell during each retirement year? The final two chapters provide these answers.

As an expatriate, you can live better, earn more, and provide for a generous retirement. You’ll just need a plan. Fortunately, you’re reading it.