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MILLIONAIRE EXPAT

How to Build Wealth Living Overseas

THIRD EDITION

Andrew Hallam
Bestselling Author of *MILLIONAIRE TEACHER*

WILEY

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Millionaire Expat

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Only a fool would take his wife on a multi-month cycling tour...while trying to write a book. An even bigger fool would attempt the same thing during a 17-month adventure in a camper van (trying to drive from Canada to Argentina). I have done both. Note to all single women: if you believe your future spouse might try such a stunt, run. Fortunately for me, my wife didn't just stick around she helped with every aspect of this book's production (and every other book I've written). Named after the Hawaiian fire goddess, Pele sometimes spewed lava in my general direction while I pretended it was normal to write books from bicycles and vans. And although I'm not fully rehabilitated, I'm a better man for it. So Pele Hallam-Young, this book is dedicated to you. You're amazing. I love you more every day.

Acknowledgements

If I were hit by a bus, I can imagine my wife eventually venturing back onto the dating scene. But I'm pretty sure she wouldn't date a writer. I can hear the checklist in her head right now: adventurous, check; handsome, check; caring, check; intelligent, check; writer…oh shit. Writing is an anti-social gig. The best part (for me, anyway) is gleaning stories from people that I can share and learn from. But then, as all writers do, I spend thousands of hours trying to make sense of it all. Only 0.01 percent of authors earn enough compensation to exceed a minimum hourly wage. I made that up. But it's probably true.

So, I have to thank my wife, Pele Hallam-Young, for helping me with this book. She encouraged me. She helped with edits and ideas. And she worked tirelessly as my time manager, taking on tasks that I was "too busy" to do because I was writing a book. OK, so writing this thing did have some perks.

I would also like to thank the publishing team at John Wiley & Sons, with an especially deep bow to Kevin Harreld. I don't really know what to call Kevin. Is he my publisher? My editor? My marketing specialist? After writing that last sentence, I looked up his title on LinkedIn (and no, I'm not lying). It reads, Senior Acquisitions Editor. All I know is that he's my man on the ground at John Wiley & Sons who seems to put everything into motion.

Thanks also to John S. Woerth, Senior Communications Advisor at Vanguard. John always helps me with charts and he cheerleads my efforts. He's one of those behind-the-scenes brilliant guys whom Vanguard founder, John Bogle often praised. John Woerth also co-wrote *More Straight*

Talk on Investing, with former Vanguard CEO, John J. Brennan.

Thank you, also, to Vanguard's Mike Nolan, who John introduced me to. Upon request, Mike sent me charts faster than I could make my next cup of tea.

I would also like to thank the American fee-based financial advisor Tony Noto. He was my go-to guy for information on US taxes, with respect to IRAs for American expats. The Australian financial advisor, Jarrad Brown, also helped me with tax information for Australian expats. Thank you for your help, Jarrad.

Several Financial Independence (FI) warriors also deserve my heartfelt thanks. Several years ago, I met the impossibly good-looking Sebastien Aguilar in Dubai. He founded SimplyFI a UAE-based financial education group. Jen Lincoln began a Facebook group by that name and encouraged reams of people to join and organize events with Sebastien and his FI-minded friends. This is now the largest FI-oriented expat organization in the world. I profiled several of the group's members in this book. I couldn't include everyone who volunteered their time and stories, but I wish I could. Reading posts from SimplyFI's Facebook group continues to help me understand what questions people have.

The group includes several warriors for the cause, of which there are far too many to list. But I want to acknowledge Tuan Phan, whose name alone likely draws shivers from the creeps who sell investment linked assurance schemes. The tireless Facebook poster and presenter might know more about these products than anyone in the Middle East. He knows far, far more, in fact, than the people who sell them. I'd bet my portfolio on that.

Elie Irani and Steve Cronin are also indefatigable activators who inspire me to keep moving forward. Elie created a fabulous *Getting Started Guide* for the SimplyFI community and Steve (who organized my first public talk in Dubai) continues to help people on the Facebook group, and with his blog and workshops at, *Dead Simple Saving*.

To say I've also been inspired by PlanVision's Mark Zoril is a serious understatement. After introducing Mark to the expat community, he has worked tirelessly as an angel on their behalf. Knowing how many thousands of people Mark has helped also pushes me to try and keep up.

If there's something I want to convey more than anything else, it's this: we need each other. I'm not just talking about writing a book or managing money. We can all help each other in every capacity: socially, physically, emotionally and financially. So thank you, everyone, who contributed to inspire and help me. I'll keep doing my best to pay that forward.

Introduction

Our taxi crawled along the 3-lane highway. But from what I could see, Egyptians don't care much for lanes. Five cars squeezed, side-by-side, along a road designed for three cars abreast. I wondered if there was an accident ahead or whether this was normal mid-afternoon traffic. We were on the outskirts of Cairo, Egypt, driving into the old city. “Hey, check this out!” my wife laughed. Ahead of us, to our right, a bus driver yelled at a guy in a car. It was hot, and our taxi's air-conditioner was on its last legs. But at least now we had entertainment to keep our minds off the heat and the clogged traffic jam.

Tempers soared between the two drivers. And when the clogged traffic stopped, each guy sprang from his vehicle to wage a verbal war. Fueled by anger, they gesticulated and spat as they screamed at one another. I thought a physical fight would start. But before it could, passengers in the bus began screaming at their driver because, in his rush to jump from the bus, he had forgotten to pull his emergency brake.

Traffic was now moving, and the driverless bus gained speed on the downhill grade. The driver then sprinted for his bus, barely getting to the door and jumping in. He slammed on the brakes and averted smashing into a stopped car ahead.

Almost every traveler has a story (or ten) to share. The world, after all, is filled with wondrous sites, people, cultures and quirks. But expats witness far more than most. When choosing to leave their home countries, they enter other worlds. Some prefer ultra-modern cities like Hong Kong, Singapore or Dubai. Others seek African, Asian or

South American cities with a bit more grit. These often contrast old ways of life with a growing modern touch. You might see a woman in Hanoi, Vietnam driving a top-of-the line Mercedes Benz, followed by a guy carrying a fridge on the back of his scooter. Plenty of expats move from place-to-place. Others settle down, sometimes moving to Europe from North America, Australia, New Zealand or South Africa.

But expats often face financial risks when moving overseas.

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, Facebook, American Express, Johnson & Johnson, Google, Microsoft, and Exxon Mobil.

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

In 2003, when I left Canada to teach in Singapore, I kissed good-bye 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 73 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 that retired with about $5 million 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.

In this book's first two editions, I described the most common investment products sold to expats in Asia, Africa and the Middle East. These rank among the world's worst financial schemes. They pay eye-watering commissions to the folks who sell them, which is why they're so prolifically sold. Over the past few years, I've given plenty of talks in

Europe. With Europe's strict financial regulations, you might feel protected walking into a European bank and asking them to manage your money. But to my horror, banks in countries like Germany and Switzerland (just to mention two) also typically sell the same crap. These schemes are great for the banks. But investors get burned. And these investors are often trapped. If they want to sell, they are required to pay massive penalties (which, in the end, are almost always worth paying).

This book explains how to avoid these stinky schemes, explaining how to invest in a diversified portfolio of low-cost index funds or ETFs. 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 sound like too much time to spend on your investments? No problem. You could hire a scrupulous financial advisor or a robo advisor firm. I list some in this book. They would build you a portfolio of low-cost index funds or ETFs. 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 (3rd edition) 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?

Several expats, however, might say, “I would love to retire, but I can't afford it.” In some cases, they didn't save enough. Others saved well, but they were rooked into long-term investment schemes that didn't make them decent profits. But such people shouldn't fret. I'll describe some desirable locations where you could retire on a shoestring. You could live (full-time or part-time) in a low-cost country, spending a fraction of what it would cost to live in the United States, Canada, Australia, New Zealand or much of Europe. I also provide tips for younger, global nomads who are keen to travel the world while working online.

As an expatriate, you can build lifetime memories by experiencing more of what the world has to offer. You can live better, earn more, and provide for a generous retirement. You'll just need a plan. Fortunately, you're reading it.

Chapter 1
Grow Big Profits Without Any Effort

Once upon a time, in a land far away, there lived a young farmer. His name was Luke Skywalker. Don't get confused by his *Star Wars* namesake. That was just a movie.

Luke had a farming mentor, an awkward little guy with a massive green thumb. His name was Yoda. “Use the Force you must, young Skywalker,” he said. “Add new seeds to your crop fields every year. The Force will grow those seeds. They will flower and spread more seeds and those seeds will grow.”

“Which seeds should I plant?” asked Luke. “Buy the bags that contain every type of seed for every type of vegetable,” replied Yoda. “You'll never know which vegetables will grow the best in any given year,” he said. “Plant them all, you should. Let the Force look after the rest. But watch out for the dark side.”

Luke wasn't sure what Yoda meant by *the dark side*. He just knew that Yoda was a mysterious little dude. So Luke bought a bag that contained every seed. He planted every one, and his crops began to flourish. Some years, his carrots grew best. Other years, his lettuce, parsnips, or beets took center stage. Sometimes, droughts and a searing sun hurt his crops. But his crops always came back, stronger than ever.

This is how the stock market works. You can buy a single fund called a global stock market index fund. Like a bag of seeds representing multiple plants, it contains thousands of different stocks, representing dozens of different markets. It contains American stocks, British stocks, Canadian stocks, Australian stocks, and Chinese stocks. In fact, a global stock market index contains about 7,400 stocks from at least 49 different countries. Nobody trades those stocks. With a global stock market index, you own all of those stocks. You would also have access to that money, any time you want.

Some years (much like the garden during a drought), the proceeds recede. But just like that garden, the stock market always comes back stronger than before.

Imagine if someone had invested a lump sum of $1,200 in the global stock market, starting in 1970. They then saved an additional $3.29 per day, adding that amount to their investment at the beginning of each year. Between January 1970 and December 31, 2020, that person would have added a total of $61,200 (see Figure 1.1 and Table 1.1). If they equaled the return of the global stock market index during those 51 years, that initial $1,200 investment—plus a further commitment equal to $3.29 per day—would have grown to more than $1.8 million. Between January 1970 and January 2021, global stocks averaged a compound annual return of 10.07 percent per year.

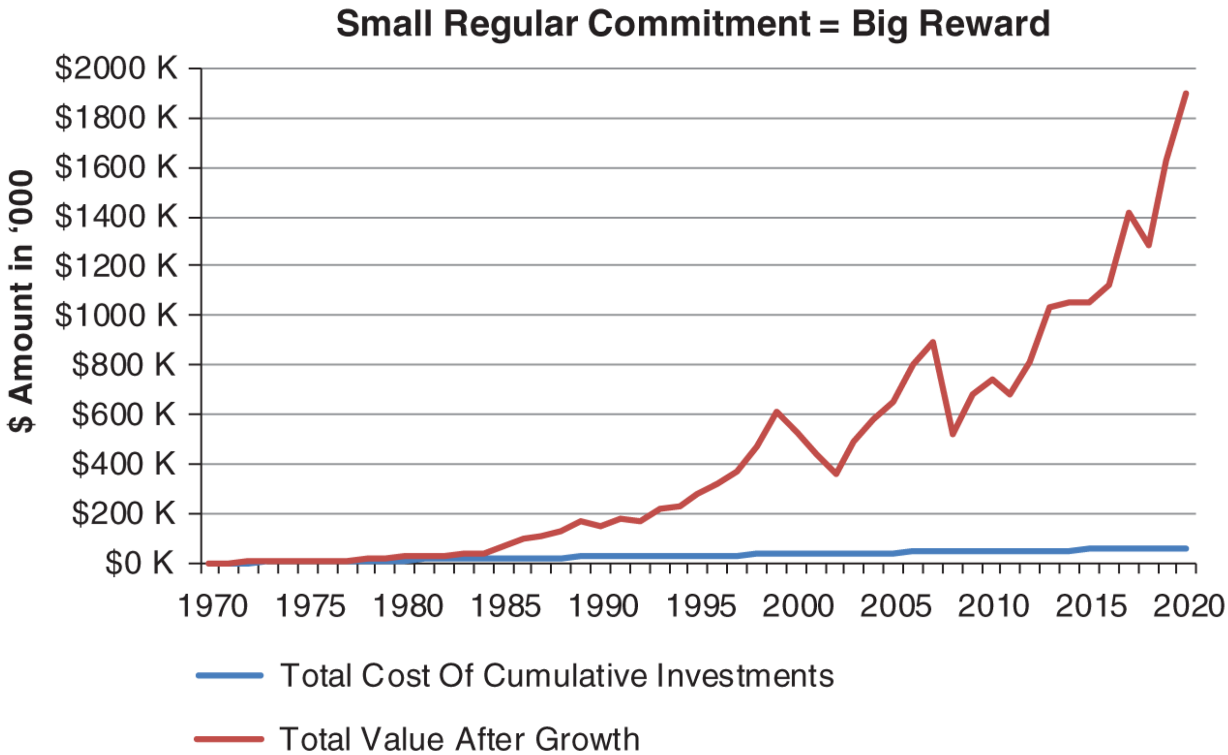

Figure 1.1 Global Stock Market Growth

SOURCE: Morningstar Direct.

Table 1.1 Global Stock Market Growth

Year Ended Dec 31	Annual Return	Total Cost of Cumulative Investments	Total Value after Growth
1970	−2.25%	$1,200	$1,173
1971	18.52%	$2,400	$2,812
1972	28.21%	$3,600	$5,144
1973	−8.96%	$4,800	$5,776
1974	−21.09%	$6,000	$5,505
1975	32.44%	$7,200	$8,880
1976	8.97%	$8,400	$10,984
1977	3.32%	$9,600	$12,588
1978	24.22%	$10,800	$17,128
1979	12.33%	$12,000	$20,588
1980	21.85%	$13,200	$26,548
1981	−3.19%	$14,400	$26,863
1982	6.61%	$15,600	$29,918
1983	25.37%	$16,800	$39,013
1984	6.47%	$18,000	$42,815
1985	51.83%	$19,200	$66,827
1986	45.35%	$20,400	$98,878
1987	10.06%	$21,600	$110,146
1988	20.56%	$22,800	$134,238
1989	24.15%	$24,000	$168,147
1990	−12.00%	$25,200	$149,025
1991	18.42%	$26,400	$177,897
1992	−4.10%	$27,600	$171,754
1993	25.25%	$28,800	$216,624

Year Ended Dec 31	Annual Return	Total Cost of Cumulative Investments	Total Value after Growth
1994	6.19%	$30,000	$231,308
1995	20.73%	$31,200	$280,707
1996	13.73%	$32,400	$320,612
1997	15.33%	$33,600	$371,146
1998	27.58%	$34,800	$475,039
1999	29.04%	$36,000	$614,539
2000	−13.80%	$37,200	$530,767
2001	−17.86%	$38,400	$436,958
2002	−18.75%	$39,600	$356,003
2003	38.08%	$40,800	$493,226
2004	18.27%	$42,000	$584,758
2005	11.52%	$43,200	$653,460
2006	23.11%	$44,400	$805,953
2007	11.16%	$45,600	$897,231
2008	−41.72%	$46,800	$523,605
2009	30.40%	$48,000	$684,346
2010	8.62%	$49,200	$744,640
2011	−7.99%	$50,400	$686,248
2012	18.34%	$51,600	$813,526
2013	26.59%	$52,800	$1,031,361
2014	2.02%	$54,000	$1,053,419
2015	−0.44%	$55,200	$1,049,979
2016	6.53%	$56,400	$1,119,821
2017	−2.25%	$57,600	$1,394,068
2018	18.52%	$58,800	$1,258,000