

The PanamaMundo Newsletter

The Panama Canal Effect

The Panama Canal expansion is almost a "fait accompli".

This is history in the making and Panama's bid to remain competitive as a vital transportation resource for the 21st Century.

Here is a link to the official 92 page project proposal.

<http://www.pancanal.com/eng/plan/documentos/propuesta/acp-expansion-proposal.pdf>

The consequences of NOT building the "Third Locks" would mean that the Suez Canal becomes the preferred shipping route from Asia to East Coast USA.

The problem with the present locks in Panama is that they are too narrow and cannot accommodate the largest cargo vessels with 8000 containers.

What is now called the "Third Set of Locks" Project was sent to the Panamanian Legislature for approval in late June 2006. It is fully expected that this proposal will be endorsed quickly and sent for final approval by a public referendum in the next few weeks.

Early opinion polls show that 54% of the public is in favor of the canal expansion with only about 20% of the population opposed. The referendum must be held within 90 days of approval by the legislature.

The current schedule is to formally commence construction of this

\$5.25 billion, 7-8 year project in October 2006.

This expansion project is the culmination of a long struggle to repatriate the "Canal Zone" from the USA which was accomplished on December 31, 1999. The legacy of Teddy Roosevelt lives on with changed ownership.

So what does this project mean for you?

This project, in my opinion, will put Panama in "take-off" mode economically speaking. It will provide the critical transition to "developed country" status albeit over the next 10 to 20 years. The third locks project will provide an unprecedented engine for economic growth for such a small country.

This single project, with World Bank financing, will generate more than 7000 new, high paying jobs. It will stimulate a decade long boom in real estate and commerce rarely witnessed by other countries.

Residential real estate prices will be impacted most and could double in 3-5 years. Tourism levels will rise rapidly and probably double in the next three years with Senor Blades at the helm. Revenues from tourism will probably overtake revenues from Canal fees but they will both provide vital and long-term resources for the government permitting extra expenditures on education, medical care and social services.

Panama has a great future!

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Special points of interest:

- *The Panama Canal Effect*
- *International Living Observations*
- *American INS/IRS Issues for Offshore Living*
- *The Production and Marketing of a Book*
- *Panama on the Cheap*



Entrance to the Panama Canal

International Living and Panama Living

It seems that Panama is receiving additional unusual attention from International Living. A number of rather prominent IL writers and associates have recently decided to move to Panama. One well-known writer and real estate couple, based in Sam Miguel d'Allende Mexico, just sold their home and are moving to Panama this July.

Even the editor of IL and her husband, currently living in Paris, have indicated their possible interest in moving to Panama. Amazing! You may recall that IL chose Panama, five times running, as the best place to live and retire in the world. Their 2006 September edition picking the top 29 countries for this year will probably match Lance Armstrong's record for Panama. IL turned us on to Panama.

To the credit of IL, they asked one of their ace European reporters to visit Panama (for the first time) and provide a reality check. This writer was asked not to pull any punches and to report on any and all of the "warts". Her reports were not flattering but bear comment.

Her first article headline began with "Hookers" and ended with "Ankle Breaking Sidewalks". It appeared to me that by implication, "hookers" are an anomaly for a great city or at least they should not be in such evidence. I never visited the specific places she reported on but I was never aware of this "major problem" after spending about 4 weeks wandering around the streets of Panama City. In contrast, my observations during frequent visits to Paris, London, Vienna, and Amsterdam would seriously question this particular dimension for useful comparison purposes.

In some of the fanciest shopping districts of London, for example, there are telephone booths with so many marketing "offers" pasted on the glass windows and door that one cannot see outside. In Vienna, along some small streets of the best quarters, one has to run a veritable gauntlet of proposals from dozens of workers. In Amsterdam ... well ..one need not say anything more. Then of course there is always innocent Paris with Pigalle being a wonderful example of refined chic. Try a visit to le Bois de Boulogne on a weekend. The world soccer games in Germany have given a new meaning to "guest worker".

This particular comparison, if it was intended that Europe was more advanced in this respect, was perhaps poorly conceived ... but it was her "lead". Her article then went on to describe the frequent occurrence of decaying buildings and slums in Panama



Casco Viejo Panama

City. Again, I assumed that the writer was comparing Panama with great cities in "developed countries" where such slums are not permitted.

Good grief .. has this writer ever looked carefully around at any of the larger European or American cities. They all have large districts with miserable slums most of which have extremely high

crime rates which is not surprising.

There are sections of Paris where cab drivers refuse to drive. Just last year I was speaking with a Parisian cab driver who had his life threatened about every six months with a razor or such. The same is true in many of the NYC boroughs, in large cities of New Jersey, in Washington DC, in London England etc. It is actually more difficult to identify cities where this is not true.

In a follow-up article, this writer spent the entire time reviewing a "misunderstanding" with a cab driver. She apparently agreed to have the cab driver pick her up on her return from a domestic air flight. She gave him her name and hotel. When her return flight was delayed she took another cab even though the other cabbie had apparently been waiting. The original cab driver wanted to be paid a "waiting fee" and he came to her hotel to collect initially \$15 (although the request increased as payment was refused). This is an article about a \$15 misunderstanding. In London, it costs \$15 to go several blocks. In Paris, the cost from the airport to downtown is about \$70. This writer became irate because she gave her name and address to a cab driver who wanted payment for services rendered.

In spite of these critical observations, Panama continues to attract a great deal of attention and a strong defense from people including the IL editor.

The INS/IRS

Further to an article dealing with American expatriates and the IRS. I understand that many Americans living abroad choose not to file an annual IRS return.

This approach works well as long as your passport is valid which can be as much as ten years. On passport expiration, however, and re-application, the INS (Immigration) will send your SS number to the IRS to make sure they are satisfied.

If you have failed to file your annual IRS return, then your passport will not be renewed until the IRS is completely happy which could mean large back tax payments with penalties. In the meantime you are sitting with an expired passport

Incidentally, this “problem” does not exist for most other nationalities unless a person has “assets” in his “home country” with an obligation to file an annual return. Even then it is not clear that a passport would not be renewed.

Publishing Biz ...

Sales of my book “Retirement Planning for Offshore Living” (using Panama as an example) is doing fine.

A final version has now been drafted based on a great deal of feedback from many Panama-Mundo readers and others. As a consequence, this month I will be rolling out a comprehensive advertising and marketing program. My new web site (finally working) called www.boomersworldpress.com

indicates a number of additional titles planned for the next year or two.

The “Second Edition” of my e-book is now available. You can read the rather long review at www.retiringoffshore.com and you will be directed to the e-store if you want to purchase a copy.

I have finally started sending out bound copies to potential distributors and book reviewers.

The first sales of the hard copy, perfect bound edition have also been made.

The mechanics of producing and binding a professional looking book are very intricate and time-consuming. But once learned, they are easily taught.

I just set up my new “e-store” on my www.panamamundo.com web site with “SSL” for secure credit card purchases. Now I can also market directly to consumers using everything from Google to classified ads.

One interesting “phenomenon” is that small “clusters” of people are forming with a common interest in moving to Panama. One such “cluster” is based in Calgary Alberta, Canada.

For those unaware, Calgary is not what one would call an impoverished town. In fact, life is rather “easy” in Calgary. There is a zero provincial sales tax for example. The province has huge surpluses every year. They have a “Heritage Fund” that will last until the tar sands give out ... which is never. A recent report indicates that Alberta has tar sand oil reserves equal to Saudi Arabia reserves albeit at a higher cost to produce.

Yet many very successful people from Calgary are considering a move to Panama. It must be the pioneer spirit (which is what the editor of IL also said). Apparently there is also a contingent in Saskatchewan that is equally aggressive but I have not yet had the opportunity of speaking with them. Ottawa also has a nucleus.

The other areas of major readership interest are Florida, Arizona, Nevada and California. It sounds as though Panama could become a “second retirement” destination after the first choice failed to live up to expectations. We shall see.

Another dimension of my new publishing company will be the production of videos. I already have enough footage for a 30-45 minute Panama video. Using a 3 mega pixel Sony DVD camcorder with the Adobe Premier Pro 2.0 and Adobe Audition 2.0 software one is able to produce some very professional work as stand alone products or as supplements for book sales.

Lise and I are now about half way through a book that is focused exclusively on living in Panama. The projected date for publication is late September 2006.



Reflection of the Times

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PanamaMundo provides you with a variety of information on living and retiring in Panama. More information is available through this monthly newsletter as well as my books and videos (available shortly). If you have any additional questions do not hesitate to give me a call ...preferably in the evening at (760) 434-3441 until our permanent move to Panama now planned for late 2006.

Check out www.retiringoffshore.com for a full description of my new book.

www.PanamaMundo.com

Panama on the Cheap

I just spoke with a PanamaMundo reader from Texas who wanted to know how he and his wife could move to Panama with only \$60,000 cash and an internet business providing about \$6000 per month. He was still in his early 50's and did not yet have a pension plan yet to qualify for the "pensionado" visa program.

He could not qualify for the \$200,000 "person of means" program either.

I suggested that he might look into setting up a Nevada LLC corporation that would then arrange to pay him a monthly pension sufficient for his pensionado status. This would require assigning his monthly earnings to this corporation. He would have to seek accounting and legal help in both the USA and in Panama.

His next major problem was how to obtain a mortgage for a house. I mentioned that Panamanian banks are quite sticky with mortgages and require a great deal of background checking and documentation particularly tax documents.

My suggestion was to forget the mortgage and use his available cash to buy, build, and flip several properties until he reached his desired level. He happened to be very experienced in the construction area. In Panama his savings on a monthly basis would be sub-

stantial. He was also aware that Panama is a particularly entrepreneurial place.

He also happens to be married to a Spanish speaking Latino lady who understands and loves real estate. It was clear that his marriage would provide a significant advantage and make his move much easier.

I also suggested that, because of his budget, he might want to look in the Gorgona coastal area where land prices are still very low possibly in the \$20 per square meter range. This area is starting grow rather quickly as two new condominiums are in the pre-selling stages. With sales going very well.

He should be able to buy a 1000 square meter lot for about \$20,000 and build a 1350 square foot, three bedroom house for another \$25,000 if he manages the work and performs some of the labor. A skilled cement worker would cost

about \$18/day in Gorgona and a laborer about \$12/day. This property should sell fairly easily for about \$70,000 or twice the cost of construction added to the lot price. The picture attached shows the Gorgona coastline as seen from Coronado beach.

I also just spoke with another newsletter reader (and book reviewer) who is planning to purchase a lot inside Coronado for \$40 per square meter. How close it is to the beach is not clear. My last information is that ocean front lots are running at about \$200 to 300 per meter. Across the street they are in the \$90 to \$150 per meter range. About 3 blocks back from the beach the price drops to \$40 to \$60 per meter.

The cost to project manage your own home is about \$25 per square foot and about \$50 if you engage a contractor.

