

The PanamaMundo Newsletter

The Panama Economy Revisited

Last December I received the following comments from a newsletter reader and I provided a rather detailed response in my January newsletter. One of her main comments was:

"I enjoyed reading your article about Panama and it does, indeed, sound inviting. What is your opinion about what is likely to happen to Panama when the dollar crashes, as every one is predicting? What effect has the declining dollar had on Panama so far?"

Much has happened in the financial markets in even the last five months. Hopefully she purchased future contracts on the Euro, Yen and Canadian dollar.

The American dollar was trading at 120 to the Euro in January 2006 and now at about 127. Not a "crash" in any way but a fairly rapid decline.

Has this change had an impact on Panama? Not yet .. to my knowledge. But then perhaps the entire issue should

be looked at quite differently.

The assumption made was that because the Panamanian economy uses the American dollar, it will be subject to many of the same economic problems that afflict America.

What about the Chinese Renminbi or Yuan? This currency that has been artificially pegged to the US dollar for many years. Has this monetary policy damaged their economy?

Hardly! The Chinese economy has been growing at more than 10% per annum for 20 years while the US economy has expanded by 3% or less during the same period.

There seems to be a clear disconnect between the economic performance of a country and the de facto currency used.

Also, currency rates are generally "self-adjusting" over time although there are exceptions. If the US

does not seriously address its debt matters could worsen. Goods and services priced in Euros become more expensive and American exports to Europe will increase.

Panama is well poised for future growth with or without the American dollar. It has a large well-educated professional class, an excellent banking, shipping, and communications infrastructure and an intensely entrepreneurial business class. The Panama Canal is a monopoly in a world of massive and increasing trade flows. It has a stable democracy and enjoys international protection.

The American dollar is merely a means of exchange and a store of value. The currency used in Panama is actually the "Balboa" which just happens to look very much like the American dollar!

Donald Trump evidently likes the "Balboa" and is planning the largest casino in Latin America in Panama City

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Special points of interest:

- *The Panamanian Economy*
- *Unexpected results from writing a book*
- *America tax issues for offshore living*
- *A comparison of Carlsbad CA with Coronado PA*



A Donald Trump Project

Unexpected Rewards from Writing a Book!

The unexpected always happens! In fact the headline for this article somehow reversed itself. I have no idea why or how. I am sure I could fix it but perhaps it is fitting.

My new 250 page book entitled "Retirement Planning for Off-shore Living" has been selling better than expected as an ebook (on www.EscapeArtist.com). It will be published in the near future as a hard copy book with a publication date set for September. Marketing a book in America is a very complicated matter.

However, it was most surprising to me that so many people actually contacted me for further information about Panama and to tell me about their experiences.

While many of the same basic subjects such as real estate, health care, crime, and cost of living were discussed in many instances new areas of interest were addressed obliging further research. In addition to these new ideas and subjects of interest, I was able to receive a great deal of feedback on the quality and usefulness of the book ... for free and I am now upgrading and tightening the text. There were some completely inaccurate statements made which have been corrected (American tax law was one area where errors were made ... see next article).

My conclusion is that writing a book is an intensely social activity. Much more so than was ever explained in the many books I have read on writing a book.

For this reason, writing a book

may possibly be the ideal retirement activity. It dramatically expands your social network and potential circle of friends just as you are leaving the day-to-day social life of an office.

I was so impressed by this observation and possibility that I decided to set up a new publishing company. It appears that owning a publishing company is the only way to leverage the long term marketing of your books through the various distributors and resellers.

It is called "Boomers World Press" with a web site of the same name to follow shortly. I will try to stick to topics of generic interest to the boomer generation which of course gives one plenty of latitude

I figure that if one book can generate so many interesting contacts and conversations in 2-3 months, then say 10-15 books in three years will produce a veritable deluge interchange.

Perhaps our dinner parties at Coronado will become larger than expected.

One topic, for example, that I found particularly stimulating was "co-housing". It was patiently explained to me that "co-housing" is very different than "assisted living". Co-housing (in California) is an almost "1960's commune like" way of living with a small number of good friends in larger than average housing units that are owned by the residents.

My recently updated web site www.PanamaMundo.com has

been adjusted to reflect this more sophisticated and in my view sensible approach to "aging at home".

In fact I am seeking expressions of interest from people who may be headed to Panama or who already in Panama for a long-term "co-housing" project ideally in Coronado. There are already 5 or 6 couples/individuals who have said they want to stay informed.

On a somewhat related issue, two wonderful Canadian friends of ours just spent the month of April at our Coronado house. For the past 10 years they have wintered on the Florida Panhandle where prices keep rising.

They ended up buying an investment property in Panama City and intend to spend several months in Coronado each winter. Incidentally, they were able to purchase a 180 square meter (1900 sf) condo unit on the 23rd floor with Pacific Ocean views, in the downtown restaurant area for \$125K. The unit is about 12 years old. This is an unusually good price considering that many newer units are now asking up to \$2000 per square meter.

My recommendation is that you seriously consider writing a book if you wish to rapidly expand your network of contacts and friends. If you need some ideas and suggestions on how to self-publish and market your manuscript give me a call (currently in CA at 760 434-3441).

If you need a POD publisher check out my new web site at www.boomersworldpress.com

American Taxes and Offshore Living

My first edition of "Retirement Planning for Offshore Living", I made several significant errors in reviewing the tax benefits available to Americans who choose to live abroad.

An American citizen has to live 330 full days outside the USA in any single calendar year to qualify as a non-resident for tax purposes. As a non-resident, she is eligible for an \$80,000 exemption from taxes on income earned for personal services or on business profits from an actively managed foreign business.

The \$80,000 exemption does NOT apply to passive income earned from mutual funds, pensions plans and the like. I had stated that it does.

Another interesting tidbit is that less wealthy or poorer Americans have at least one advantage over their wealthy American friends. If you have net assets in excess of about \$600,000 (the amount changes with inflation) and/or you pay a certain amount annually in income tax then the IRS may very well determine that your interest in renouncing American citizenship is motivated by your interest in avoiding the payment of taxes.

If such a determination is made, then you may be subject to a number of tax recovery techniques (in the event of a desire to renounce citizenship) such as a capital gains on all assets and/or a ten year extension of tax liability to the USA after renunciation.

This "stickiness" for Americans is in sharp contrast with the rights of say Canadians and Europeans

who can live in a country such as Panama and pay zero taxes to their country of citizenship except, of course, on assets held in that country.

This is not an entirely trivial discussion with 40-50% marginal taxes. As a Canadian or European, I can reside in Panama (or in many other off-shore countries having zero personal income tax on foreign earnings) as a long term

"Pensionado" and receive tax free income from a Templeton mutual fund based in the Bahamas. This is not an interesting option if you happen to be a wealthy American.

Sir John Templeton, incidentally, renounced his US citizenship (back in the 1970s or 80s) and moved to the Bahamas where he pays no income taxes anywhere.

Actually, anyone living in California who purchased a house in this state prior to say year 2000 probably has sufficient assets to attract an IRS determination that renunciation of citizenship is for tax avoidance purposes.

It was recently reaffirmed by the highest European Court that minimizing the payment of corporate income taxes by moving business operations and subsidi-

aries to a lower tax regime is a totally legal activity. The British Government lost that particular challenge trying to prevent many British companies from moving operations to Ireland for tax reasons. American firms do the same thing in Puerto Rico and other countries such as Switzerland for example.

Why not the same rules for the individual?

Here is a self-portrait taken the other day in Oceanside Califor-



nia. It shows the difference between a 5.2 mega pixel camera (Canon) and my old Sony Mavica which shots at 640x480 used for fast loading web pictures.

In future, the my Canon SLR will be the standard. Unfortunately I did not have this camera for many of the pictures in my new book. Future versions will correct this problem.

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PanamaMundo provides a wide variety of information on living and retiring in Panama.

More information is available through this monthly newsletter as well as the author's ebooks, hard copy books, and videos.

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 marketing description of my new book

More information at
www.PanamaMundo.com

\$8,000,000 House for Sale in Carlsbad CA

Here's a little investment property to pick up!

Situated right on the beach in downtown Carlsbad CA (about 25 miles north of San Diego).

This is an older two unit property sitting on 10,000 square feet of land with spectacular sunset views to the west. The zoning is "multi unit" with 75 feet of beach frontage with water temperature in mid-May of 60 degrees.

Notice that about 50% of the property is on a steep incline meaning no front yard ... however ... it faces a broad sandy beach with a continuous saga of sun bathers, surfers, sea birds and leaping dolphins.

Considering that the house itself might cost \$1,000,000 to rebuild (at about \$200 per square foot), the raw land is selling for about \$700 per square foot.

The first year municipal taxes for this property would be approximately \$100,000 per annum. Insurance and house maintenance would be extras.

By comparison, a similar piece of land with spectacular views on the Pacific in Coronado Panama with 30,000 square feet of level land with about 200 feet of beach frontage was priced at \$500,000.



There was only a modest house on the property but the neighboring properties had mansions that would make this particular Carlsbad property look rundown and shoddy.

By spending about \$50 per square foot for a same size 10,000 square foot mansion for comparison purposes (or \$500,000) one

would have a state of the art top quality home. For \$1,000,000 in Coronado rather than \$22,000,000 for the same sized property in Carlsbad one has a brand new and better property.

The first 20 years of taxes in Coronado would be zero.

The water temperature in mid-May would be 80 degrees (as it is in mid-December).

It would cost you a maximum of \$175 per month to belong to the local four star Tom Fazio 18 hole PGA golf course with no initia-

tion fee. Try that in San Diego North County.

By the way, the Coronado property is also zoned "multi unit" if one is so inclined.

Hasta luego