



Everything You Need to Know About Living in Mexico For Subscribers Only

January, 2007
Viva Mexico!!!

Hola *Mexico Insider* Subscriber:

Happy, Happy Happy New Year! We wish all of our fellow Mexico Insiders a very prosperous and happy 2007. If you are not already living the life of your dreams...in Mexico or elsewhere, may this be the year that you start to do so. In this issue of Mexico Insider, you will find an article that may help you. It's all about reinventing yourself overseas, and it is something you will see International Living focus on more this year. We know you want to do it...we also know that it is not always easy. And maybe we can help...

This month, Mexico Insider also takes you to Kino Bay, on the Sea of Cortez. This destination isn't too well known...yet...but you can expect all that to change soon. Read this month's feature article and find out why.

You'll also find the second installment of Morey Glazer's article on taxes...it's what you need to know if you are planning a move to Mexico this year.

By the way, if you are planning to travel to Mexico this year and re-enter the U.S. by air, you will now need a passport. Read on for the details...

Felices Viajes a todos!

Suzan Haskins
Editor, Mexico Insider
Email: Mexico@InternationalLiving.com

Volume IV, Issue 6, January, 2007

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Email of the Month: Mortgage Loans

Dear Mexico Insider,

I need your help. I am looking to buy property some land in Mexico and I need financing. I have found a few lenders out there but I don't really know much about how the process works in Mexico. Is it like in the U.S.? Help?

Thanks, Larry

Dear Larry,

Mortgage lending is still relatively new to Mexico...and as we've told you in these pages before, you need to understand that in any new game, the players may have the best intentions but they don't always know what they are doing. This is especially true when it comes to mortgage lending. We have heard of some lenders in the U.S. who – wanting to get into the lucrative Mexican market – put a notice on a website somewhere stating that they are offering mortgage lending...even though they don't know the first thing about Mexican real estate laws. For some time now, we've been addressing our reader's questions about mortgage financing for properties in Mexico to Doug Jones, of Mortgages in Mexico. Doug has been living and working in Mexico for several years now and he has worked hard to grasp a good understanding of how processes work in Mexico. From his home base in Puerto Vallarta, Doug is now branching into other areas of Mexico. We asked Doug to answer your question, and here is his response:

Hello Larry: If you are buying raw land or lots, I am not familiar with any lenders successfully making loans for this kind of purchase in Mexico. I have been on-the-ground here in Mexico for over two years, and although I don't know everything going on, I have my ear to the ground pretty well - it's not a large lending community in Mexico.

I normally don't say anything about competition, but regarding other lenders out there, please be careful. Some are well known for taking a front-end "commitment fees" of 2% or more, and it commits them to absolutely nothing. A contract in Mexico, to be binding, must be in Spanish, so if there is any agreement made, be aware of this, and get a professional translator to sort through the agreement so you know exactly what you're getting into. I've spoken to several different people who have called me after dealing with some of those who offer mortgages in Mexico, and every one of them lost their 2% (or more) and never got a loan. I'm uncomfortable even mentioning this to you, but I think you should be aware. Don't pay any front end commitment fees in Mexico, other than a small "application fee". We charge \$200, which is for ordering credit reports and processing the loan through a loan approval. We're obviously not making any money on this.

If you're looking to buy a home or condo, I can definitely help you. If you have, or are buying a lot and want to build a home on it, I have construction money as well. Before you deal with anyone in Mexico, it is always good to get references. I have excellent references. I own a home in Puerto Vallarta and do loans throughout Mexico.

My company, Mortgages In Mexico is an approved broker through GE (General Electric) and other money sources. We are devoted to doing only loans in Mexico as our full-time business. We have knowledgeable, experienced loan officers throughout Mexico to assure you that your transaction will go smoothly.

Just as real estate agents are not licensed in Mexico, neither are loan brokers, so you need to be sure you are working with someone who is ethical and knows what they are doing. By closing your loan through GE or some of our other excellent money sources, you will be assured that you have closed your loan with a company that will be there years from now when you are ready to sell your property.

Not all GE brokers have the experience and expertise that Mortgages In Mexico does. We have been on-the-ground in Mexico since September 2004 - well before even GE came into Mexico to do US-Dollar-based mortgage business. We are one of the very top producers every month for GE. I personally have 30 years of mortgage experience in the US and am considered to be the most experienced loan broker on the ground in Mexico. We have developed the procedures and contacts necessary to make your transaction go smoothly. This is not a "test kitchen" - we are actively closing loans in Mexico. Your best source for mortgage money in Mexico is Mortgages In Mexico - The Experts in Mexico Mortgage Lending. We also work with one of the foremost tax experts in the US (Glazer Financial) at no additional cost to you. This assures you that the best possible package is put together for submission to our underwriters, which is important when dealing with the complex financial matters of our borrowers.

I would recommend you be pre-qualified before looking for a home in Mexico. Mortgage financing is still very new in Mexico, and sellers are many times skeptical that it truly exists and that even if it does, they have no way of knowing if you can qualify to purchase their home. They do not want to pull their home off the market for any great length of time and miss a potential "cash" buyer. By letting us pre-qualify you, you will have a letter you can submit with your contract showing how much you qualify for based on your income and credit. When you put this with your offer, you are basically the same as a cash buyer. After a pre-qualification, all we would need to do is qualify the property through an appraisal and complete your fideicomiso (bank trust) and prepare the necessary documents for closing through the Notario. This sounds relatively simple, but there are many twists and turns that can make loans in Mexico tricky, which is why you need the best team available working for you.

Regards,

Doug Jones

E-mail: mortgagesinmexico@gmail.com

918-398-9588 (US)

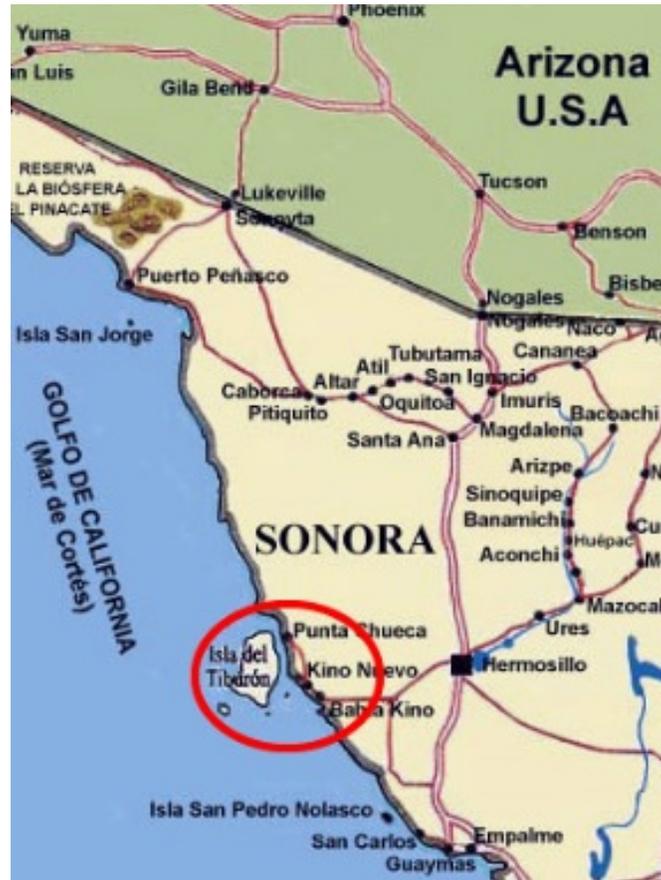
555-350-6331 (Mexico)

044-322-135-5822 (PV)

617-600-9675 (FAX)



Mexico Insider Ratings: Kino Bay



Our rating system is entirely subjective. We assign points based (from 1-10 with 1 being dismal and 10 being excellent) on *our perceptions* of what is most important to us. As for housing costs, if we think they are extremely reasonable, we give the location a '10' ranking. This, too, is subjective, as housing costs in resort areas can be extremely expensive yet still reasonable based on the fact that it is a popular destination where prices are likely to continue to appreciate. Total points available for any one destination: 100.

NOTE: Ease of doing business may not be important to you but it is quite important to us. What we mean by this is...can we find an English-speaking person in the local bank, phone company, real estate office, etc.? We assign extra points...from 1 to 10, for this category. We have indicated these points in parenthesis.

Here, along with some basic facts and the pros and cons, are our ratings for...

Kino Bay, Sonora

Altitude: sea level

Climate: Temperate, dry. Temperatures average 90° F in summer and 60° F in winter.

Population: 8,000 – 500 of which are expats

Location: on the Sea of Cortez in the state of Sonora, 1 4-hour drive from the U.S. border



Weather and Climate	8
Health Care	4
Overall Attractiveness	7
Housing Availability	6
Housing Cost	8
Accessibility to an Airport	6
Cultural Activities	4
Other Activities	7
Communication Infrastructure	8
Daily Living Cost	9
TOTAL	67
Ease of Doing Business	6

Pros: This is small-town living, laid-back and relaxed. There is a romantic feel of “old Mexico” here. The expat community is small here and prices for everything, including real estate, are reasonable.

Cons: This is definitely small-town living...and if you aren't into water sports you'd better have a hobby that keeps you interested, 'cause there's not much else to do. If you have a major health issue, you're out of luck here, too. Because it is such a small town, count on everyone knowing your business.

Kino Bay: A Blast from the Past

By Richard Basch



In still photography there is something called "beauty lighting." It is the result of the light source being level with the face of the subject...all wrinkles are filled and the natural beauty of the face glows before the camera. This is how Kino Bay appeared... in one of those perfect sunset moments, where the light – a sweet orange color – was dancing on the shore in a rich iridescent looking glow thanks to the burnished copper disc of the sun, like a glowing ember delicately balanced just above the water's surface. The indigo color of the water was the perfect contrast.

From the rim overlooking the bay, I wound down the eight-mile main drag of Bahia Kino Nuevo, uncoiling the motor of my car, going nowhere in particular, lurking, waiting for something to happen...

You see, that's the essence of Kino Bay...the feeling that something mysterious may happen here at any time. This is a languid, sensual place full of lazy, blousy, frowsy perfumes and the unsolved enigma that scents evoke. I don't know why that is really, but there is a kind of subtle, nubile something in the little town. Hidden, a bit, I guess...

You see, Kino really is "the town at the end of the road." It is where Highway 100 ends. I stopped my car at a little restaurant, "Mariscos Judy," a place with a cement entryway and a dirt floor featuring open-air dining. Inside, the proprietor, Zana, launches into a tale about whale bones and bad luck.

It appears that there are a number of houses (which he promises to show me mañana) in which the people who lived there collected whale bones.

"And, Señor," said Zana, "whale bones are bad luck." (As it turns out, "mañana" never comes...Zana never does take me on his "bad luck" tour, which may be just as well.)

I make my way to the house where I will stay. In the bedroom are some enormous bones on the dresser, they look like propellers for a launch. Great white propellers. Whale bones...

History and Location

Sonora, the State where Kino Bay is located – on the mainland side of the Sea of Cortez – is almost entirely desert, and the town here is no exception. The sand of the beach evolves into the

sand of the desert beyond. "*Pulvo*" the Spanish word for dust, abounds, but...if such a thing can be...it's friendly.

Bahia Kino has been, for most of its rather long life, a fishing village. It was named for Father Kino, an itinerant Spanish priest and cartographer of the 16th Century. In the early days of the Spanish occupancy (which were very days in Mexico), Father Kino sailed along this sweeping, curving shoreline. Mapping the shore, he needed identification for the inlet and, surprise of surprises, he chose to name it after himself.

In truth, Father Kino is a major historical figure in this part of the world. Throughout the Mexican desert state of Sonora there is an abiding interest in honoring him. He traveled through Sonora and the then-Spanish state of Arizona, building missions, "*La Ruta de Misiones*," (The Route of the Missions). There are many statues erected in his honor; one in Hermosillo, the capital of Sonora, and another in Tucson, Arizona. There are other towns named for him, like Magdalena de Kino, about 150 miles north of Kino Bay.

Fishermen, of course, were the first settlers here, in a town called Kino Viejo. After the Second World War, according to Adolfo Salido, of the Sonora State Tourist office in Hermosillo, local farmers began to sell seaside land and a new community – Kino Nuevo – was launched. Houses here were built along the seashore in rows of three-four blocks.

Kino Bay, the town at the end of the road from the Hermosillo International Airport, is, however, a real estate time bomb fused and ready for detonation

At the beginning of the year 2006, Eduardo Bours, the current governor of the state of Sonora, did several things which altered the real estate landscape of this town in a way which has had stunning consequences.

Bours, a real estate developer himself, announced that there was a major highway planned from Mexicali just below the border of California, near Arizona, down through Puerto Peñasco and Kino Bay to Guaymas and San Carlos, about an hour away as the crow flies, but for now, a two-hour drive by indirect roads.

He also initiated a change in the law, in effect since January 2006, extending the area where a foreign-plated car will need a permit to drive in Mexico. Foreign cars now do not need a permit until they are at Empalme, a fishing village south of Guaymas. This means that a drive which used to be two hours longer – because of the time it took to wait in line and obtain a permit – has been shortened by the same amount of time. This has had an impact on real estate values and prices. And Kino Bay, a seemingly sleepy little seacoast town, is positioned to become a real estate jewel.

Maria Pinnelli, who owns El Seri Real Estate, in Kino Bay, said, "My calls from the States tripled in the week after the announcement of the change in the car permit location. And with the announcement of highway, they tripled."

Getting to Kino Bay

Driving here is fast and easy...the Mexican state of Sonora is just across the border from the U.S. state of Arizona. A divided four-lane highway is open from Nogales to Hermosillo. There is not a traffic light in the entire 170 miles, but there are plenty gas stations and restaurants.

The closest international airport to Kino Bay is Hermosillo, the capital of the State of Sonora, 65 miles away by car and bus. Rental car and taxi or hourly bus service to Kino Bay is available there. The good news is that getting to Kino Bay from the airport in Hermosillo is a direct shot. The airport and the highway which runs before it is the direct road to Kino Bay and becomes the main street (Mar de Cortez) in Kino Bay Nuevo.

There is a tiny airport, host to small private planes.

What's there to like about Kino Bay?

The pleasures of Kino Bay are really the distinct ones of Mexico of the past. Keep in mind that this is a small town...one without big-town infrastructure. There isn't even a bank here, and not a single ATM in the town: important to remember should you decide to visit.

Kino Bay, so far and for the most part, retains the Mexican feel that we go to Mexico for. It is largely unaffected by the presence of a small, but growing foreign population of around 500. In a town of less than 8,000 people, that's a small group.

Although a single subdivision, Kino Bay Estates, is under construction (with houses in the \$250,000 range), most expats live in the town itself. There is an expat group, Club Deportivo, (Sports Club) that meets in a quonset hut on the northwest of Kino Bay. Just drive along Mar de Cortez and turn north near the end of the highway and you will see it.

The economy of Bahia Kino is based upon commercial fishing and tourism. A sizeable shrimp fleet is based here from September to May each year, supplementing the local oyster farms and the fish markets; and of course, the Sea of Cortez is one of the finest sport waters in the world.

Spring break in Kino Bay? Not what you'd expect. Students on break from the University of Arizona or UCLA go elsewhere – but you will find their less-rowdy Mexican peers from the University of Sonora vacationing here. In fact, despite Kino Bay's proximity to the States, few U.S holiday travelers go here. Instead, the major holidays here are Mexican ones: Cinco de Mayo (May 5) and *Independencia* from Spain (September 15), Day of the Dead in November, and so on. Kino Bay really is largely unspoiled by gringo tourists and property owners.

What is there to do here?

I took a drive through Kino Bay with Heath Weiss, a local property owner. We drove by several excellent restaurants. In Kino Nuevo, try Jorge's, La Palapa, El Pargo Rojo. In Kino Viejo, check out the Plywood Palace, said to have incredible food. The Blue Marlin is an upscale U.S.-style restaurant, serving locally caught fish and the internationally famous Sonoran beef.

As Heath says, "Kino is famous for Sonoran Beef and spectacularly beautiful women."

Arriving back at Zana's, he adds, "If you go fishing, Zana will cook your catch for you, once again, in the traditional Mexican fashion of restaurants of the past. You are only required to purchase your drinks at retail. Oh, yes, and another unofficial rule is that you supply him with drinks as he cooks your fish."

Beach bums will love it here. The white sand beach is one of the most beautiful in Mexico. As you know, all beaches in Mexico are owned by the federal government, so everyone has free access, and can sunbathe, collect shells, watch dolphins, or picnic in the shade of palm-roofed palapas whether or not they own property right on the beach. The average temperature ranges between 35 degrees Celsius (90° F) in summer and 16 degrees Celsius (60° F) in winter.

There's not much in the way of shopping. Expat Judith Weiss owns an interesting shop, called Tiendita del Mar. And Seri Indians, who carve beautiful figures of ironwood and weave some of the finest baskets in the world live nearby, and are often seen selling these wares along the streets.





What's it like to live in Kino? This is small town living. Anyone expecting more will be disappointed. Most expats here have assimilated into the local community, although they have contact through the Club Deportivo. As for activities, most involve the water. Scuba diving, snorkeling, fishing, power boating, kayaking are all amenities of a life in Kino Bay. The Sea of Cortez is a natural wonder, one of the last great unspoiled nature preserves on the planet. There are several free boat-launching ramps.

As Heath Weiss says, "I wish I could describe what it was like to have found myself swimming in a school of sardines. It was one of the most sensational experiences of my life."

Life in Kino Bay is laid back. Everything one needs is readily available, but if you are looking for nightclubs and late-night action, you won't find it here. There is not even a movie theater here. People watch television, read, and play cards. They sit on the front porch and talk. It is friendly place given to informal cook-outs, or dinners in one of several reasonably price, but good restaurants.

There is a good emergency medical care, a modern pharmacy and ambulance service, but if a serious illness occurs you will need to travel to San Carlos or Hermosillo for attention.

Intrigued? You will find real estate prices to suit almost any budget. You can buy a small livable house in town for \$25,000 to \$35,000. New houses on the beach are priced at \$250,000 and up. (See www.kinobayestates.com.)



This new house, *left*, is small and modern...located near the beach, the asking price is just \$42,000.

A very limited number of buildings lots are still available on the beach or across the street at truly bargain prices; and local contractors will construct fully tiled all-masonry homes for about half of U.S. prices, and these are ready for occupancy.

Lots with partial or full ocean views can be found in all price ranges. Take a look at Patty Martinez's website (www.kinobayrealestate.com.mx) and you will find residential lots ranging in size from 445 square meters (4,790 sq. ft.) to almost 2,000 square meters (21,530 sq. ft.) and in price from \$15,000 - \$100,000. If you are a developer you may be interested in a nearly 50-acre parcel with 3,300 feet of beachfront. Located in the heart of Kino Bay, the asking price is \$2.14 million (or best offer.)

If you'd like to rent, the best option is to come to town and start your search there. Not many here are savvy enough to offer Internet rentals, although there are several houses listed at VRBO.com (Vacation Rental By Owner website). You will find a couple of motels in Kino, notably the Posada del Mar and the Villa California. Patricia Martinez may be able to point you to a rental property. E-mail her at kinobayrealestate@prodigy.net.mx.

Daily living costs are minimal. Domestic help is reasonable. A gardener, a maid, a cook...any of these will happily labor for about \$15-\$20 for a full day. A meal in a good restaurant won't set you back more than \$20 for two people...in some places you will spend far less.

All the modern communications necessities are available here: high-speed internet (and, therefore, VOIP telephone access), and cable and satellite television.



My personal impression of Kino Bay? It's a picture loaded with charm. It's a place out of the past, timeless and sweet as it flows from whalebone superstitions to a future with superhighways and rising real estate prices. Kino Bay is still unspoiled, solitary, a monument to the old days of our parents and their parents in old Mexico. Pure sea, clear skies, warm, helpful people and amazingly low prices. But the fuse on the real estate time bomb is lit...

Real Estate Resource:

Kino Bay Real Estate, contact Patricia Martinez de Runner

Website: www.kinobayrealestate.com.mx

Tel: +52 662 242 0037

E-mail: kinobayrealestate@prodigy.net.mx

Accommodation:

Hotel Posada del Mar, 011-52-662-242-0155, <http://www.hotelposadadelmar.com> , a complex with a restaurant and pool. Doubles about \$45.

Posada Las Aves, 011-52-662-242-0242, <http://www.posadalasaves.com> . Simple but pleasing and has a pool and picnic pavilion. Doubles about \$74.

More Information: About a year ago, the *Los Angeles Times* featured an article about Kino Bay. [Read it here.](#)

Photographer Francisco Escobell has posted some [great photos of Kino Bay here.](#)

What if You Went on Vacation and Never Went Home?

Reinventing Yourself Overseas

By Suzan Haskins

Question: What kind of person goes on vacation and never goes home?

Answer (choose one):

- A) Someone who is very self-assured and never second guesses themselves.
- B) Someone who is so unhappy with home that they can't bear to go back.
- C) Someone who is looking for a better life and is willing to take a chance on finding it?
- D) None of the above.
- E) All of the above.

Come on, admit it. We've all thought about it. Watching the sunset over the ocean...or from a breathtaking mountain vista...what if we never had to leave? What if we never had to go home? What if this was home?

But what kind of person actually does that? What kind of person goes on vacation and never goes home?

We've got to guess that you'd have to be a special type of person to turn your back on an old and familiar way of life. To exchange a way of life you know only too well for something you can only imagine.

You'd have to be a very confident person to do such a thing, right? Someone who has never been afraid to take chances. Someone who has never regretted or had second thoughts about any decision they have ever made.

Or maybe you're so unhappy with your present life that you want to turn your back on it completely. Maybe you're having financial or relationship problems, or you're in a horrible, mind-numbing slump of some kind that only a change of scenery can lift you from. It would have to be pretty bad to simply walk away...

In truth, these types of people are rare...and they are rarely the types who decide to reinvent themselves in a new and exciting location.

What does it mean to "reinvent" yourself?

Go into any bookstore or surf the Internet and you'll find a slew of experts out there who want to tell you how to "reinvent" yourself. Women's magazines tell you how to do it with a quick makeover, or by losing 20 pounds. Psychologists want to help you find the *inner you*...through self analysis or group therapy. Religious leaders want to convert you...cosmetic surgeons can turn men into women, and women into men. Now, that's a true reinvention.

My Story...

I moved to Omaha, Nebraska as a young adult and spent nearly 30 years working there in advertising and marketing-related jobs. Every winter I would tell myself "Not another winter here"...where the sun comes up after I get to work and goes down before I leave.

With a fervent love for travel, I became an *IL* subscriber and soon realized that I could really do it. I could leave the cold behind and find a better way of life in another country – a place where my money goes farther, yet I have all the amenities I had at home.

Since leaving the U.S. in 2001, my husband, Dan Prescher, and I have lived and worked in Ecuador, Mexico, Panama, and now Nicaragua.

But what about the guy or gal who just wants to quit putting their life on hold, and instead, to go out and enjoy all that the world has to offer? That's what most of us are looking for, right? We've worked hard all of our lives, and we've sacrificed some things in order to raise our families. Some of you may still have children at home and you're not happy with the way your family life is going. Maybe you're tired of the rampant consumerism or the political situation at home. Tired of taxes, the high cost of living and the lack of time for yourself. Maybe you're just plain tired and are looking for a way to reinvigorate your life.

If you're looking for a way to reinvent yourself overseas...in a beautiful location with a colorful culture and warm, happy people...where there are plenty of opportunities to do the things you have always wanted to do...take note: you *can* do it and it is not as hard as you think.

"It is never too late to be what you might have been"

George Eliot

The words above were uttered over 150 years ago by a woman named Mary Ann Evans. She knew all about reinventing herself. As a novelist in Victorian England, she had to masquerade as a man, George Eliot, in order to get her work published.

Her finest novel, *Middlemarch*, was published (under the pseudonym George Eliot) when she 38, so she also knew something about perseverance. She knew that you should never give up looking for what you want and that is never too late to make your dreams come true.

How to Turn Your Dream Life Into a Reality

You may know someone who has done it – who has pulled up stakes and moved to Tuscany, Paris, Mexico, or Brazil. Someone who has started a Bed & Breakfast in Costa Rica or teaches English in Nicaragua. Maybe your long-ago college roommate is selling his paintings from his studio overlooking the Mediterranean, or sourcing artisan wares in Ecuador for export. Maybe you have a friend who is a photographer and can work from anywhere, or who is a writer like I am.

These people didn't just plop themselves down in these exotic locations. They made it happen. And if you want it badly enough, you can make it happen, too.

Some people do just naturally stumble onto great lives, that's true. Susan and Ray went to Mexico in the 1970s in the stereotypical transport of the time, a Volkswagen van. They kicked around in Oaxaca for a while where Susan struck a deal with some indigenous weavers to buy their beautiful tapestries. She toted them back home to her native New Mexico and started selling them through consignment boutiques in trendy Santa Fe.

On another trip to Mexico, Ray and Susan worked their way down the then-jungle-coast of the state of Quintana Roo. Electricity had not reached this part of Mexico yet. There were no telephones, no hotels, no towns to speak of. But Ray and Susan could see the potential. With the money they'd made from Susan's tapestry exports, they bought a piece of land on the shores of Laguna Bacalar – referred to as *El Lago de Siete Colores* (Lake of Seven Colors) by the Maya Indians who lived there.

Ray and Susan built Rancho Encantado here...a retreat camp for yoga practitioners and others who wish to commune with nature.

Over the years, they became who they always wanted to be... Susan became Susannah and Ray became Ramón...and they lived simply but very well in Mexico.

You might argue that Susan and Ray were in the right place at the right time. Things were different 40 years ago. Well, yes and no. Things were certainly different in Mexico...and all over the world...in the 1970s than they are today, but *the opportunities are still there*.

This, essentially, is the key to reinventing yourself overseas: searching for opportunities and learning how to take advantage of them when you find them.

So how do you go about it? How do you reinvent yourself with the life you have always wanted? Let's start with...

Ten Steps to Reinventing Yourself

1. Think about what you want to leave behind. What do you want to change about the life you have now? Is it the cold winters you want to leave behind? Do you hate your job? Is your marriage on the rocks?

To me, lists are always helpful. Before I left Omaha, for example, I took a sheet of paper and drew a line down the middle. I put "pros" on one side, and "cons" on the other. I put all the things I loved about my life in Omaha under the pros, and all the things I disliked about my life there – the things I wanted to leave behind – on the other, under "cons." When this was said and done, I reviewed the list. If the list of things I loved about living in Omaha had surpassed the things I disliked about living there...well, I would probably still be there.

Keep this list handy and refer to it often. This will be important later...

2. Think about what you want to find and do. Are you looking to slow down and have more time for leisurely pursuits? If so, what are they? This, too, will be important as you form your plan. For example – and this may sound obvious, but you'd be surprised how you can overlook the details – if you want to play more golf, you'll want to move somewhere where there are lots of golf courses. If you want to travel internationally, you'll want to live near an airport with good accessibility. Again, make a list of all the things you want to do and then prioritize it.

Importantly, if you will need to earn an income in your new home, you need to think very carefully about that. What kinds of things might you want to do? This may change over time, and you will no doubt be surprised at the opportunities that present themselves, but think about what your desires are...as well as your abilities and your tolerances. For example: At one time, I thought I might want to buy a beach bar or a B&B somewhere. Then I thought about the kind of person I really am. I have always been a writer, and I love to write. But being a writer means working on your own. It's a kind of solitary pursuit that suits me. In Omaha, I wrote business articles, annual reports, corporate film scripts, and the like. While I enjoyed it, it had nothing to do with my other love...travel. Today, I am still doing what I love – writing – but I am writing about subjects more suited to my interests, and in places more suitable to my desires.

3. Do your homework. I can't stress this enough. The world is a great big, wonderful place. And with today's modern communication marvel – the Internet – you can find out almost everything you need to know about just about any place in the world.

International Living is one of the absolute best resources for anyone looking to move overseas. For nearly 30 years, *IL* has been the indisputable leader in telling its readers about emerging markets...beautiful and little-known locations where you can live very well for very little money. As

part of the team that brings you this type of information, I know how well-researched it is. So keep reading *International Living*. Come to conferences and visit with others (like me and the other *IL* readers you will meet) who were once in the same boat you are. *IL* members are most willing to share their experiences. And send e-mails and schedule consultations with *IL* country consultants. These on-the-ground experts can help you get the information you need to easily find your way to your new life.

Besides *International Living*, there are other organizations out there that do a good job of helping the would-be expat. Most of them are country-specific, though – none that I know of cover the world like *IL* does. One thing to beware of: many information sources have a hidden agenda, so be sure to read between the lines. Be careful not to provide too much personal information until you can verify the organization's authenticity...and be sure to look for dates on written information they provide. Things change quickly...especially in emerging markets...and what was true 10 months ago may not be true today.

4. Make a plan. Once you've made your lists...and deliberated over them and revised them more than a few times...and once you have confidence in the research you have done, it is time to make a plan. Ours went something like this: Visit Ecuador in early August to decide if we like it and think we can live there. If so, put the house up for sale. Have a garage sale, and get rid of everything we aren't putting in storage. Sell the cars, sell the house, say goodbye to friends and family, and go.

Obviously, this was all a little more complicated than I make it sound here, but in truth, we visited Ecuador in mid August and were living there by November 1, less than three months later.

There are several other things you'll need to take care of, of course...like getting your finances in order, putting in a change of address order for your credit card statements, etc. But the point is to make a plan and act on it. If this is something you want to do, don't hesitate...just do it.

Case in point: last May in the Dominican Republic, we met a man who has been wanting to move there for five years. More than anything, he wants to buy a nice little condo on the beach and live quietly and economically. In the time he has been "studying the market" (his words) prices have risen nearly 100%. Five years is too long to research, too long to wait. Make your plan actionable...set dates and stick to them.

5. Examine the Consequences. What will your friends and family say? If you have a spouse, is he/she in agreement with your plan? What about your children and grandchildren? Do you have any health problems that might interfere with your plan? Think about the consequences your actions may have. This isn't to say you should abandon your plan if your grown children object, it just means that you should think about how to deal with potential stumbling blocks. If your husband or wife is worried about leaving the grandkids, decide if you can afford to go back frequently for visits. Or consider moving to Mexico where you can quickly and easily drive back to the States. If you have elderly parents, think about taking them with you. And unless they or you have grave health problems, don't worry. In many countries, healthcare is excellent and in-home care is much less inexpensive than you may realize. Besides, you've done your homework, right?

You need to be realistic here: if there is no way that you are ever going to leave home, don't put yourself through the heartache of thinking it will happen.

6. Take the First Step. Plan a visit to the place or places that top your list. In our case, we knew we wanted to live in Latin America. We had already visited Mexico, Belize, Guatemala and Costa Rica before we decided on Ecuador. We visited Quito for 10 days to be sure we thought we could live there. It was everything our research told us it would be: a modern city in a stunning high-mountain setting with a perfect climate, a vibrant local culture, and excellent healthcare. (My

husband had rotator cuff surgery soon after we arrived in Ecuador...at one-tenth the cost it would have been at home.) The hook was set and we went home to implement our plan.

7. Take the Plunge. This is the step that moves you into the “action plan” stage. This is where you “go for it.” You pack the dog into his travel crate, kiss the kids goodbye and get on the plane (or in the car) and you go. Your stomach may be queasy, you may shed a few tears (or a lot), but you are on your way to your new life...to doing the things you have always wanted to do, and becoming the person you have always wanted to be.

8. Second Guess Yourself. Remember that change is frightening. Being in a new home in a foreign country can be as scary as it is exhilarating. You may not speak the language, which will make it hard to get things done. I guarantee you will ask yourself “What the heck have I done?” I know this to be true because it has happened to me with *every single one* of my international moves. I cried in Ecuador, quit my job out of frustration in Mexico (only to rescind my resignation the next day), and have raged endlessly against Panama. It will happen to you. I guarantee it.

Just like the predictable stages of grief, you will go through definable stages in your new home and with your new life. Dr. Eliot Heher has written extensively for HTH Travel Insurance Company about healthcare for the expat and the psychological effects of expatriate life. He defines the stages of culture adjustment like this:

- **Honeymoon**, in which the host country is idealized.
- **Rejection**, which emerges when you encounter the inevitable problems with work, language, housing, etc.
- **Regression**, during which life in your home country is idealized.
- **Cultural Adjustment**, when you become comfortable and happy in your new environment and gain a mature appreciation of cultural differences.

There are ways to manage your cultural adjustment, Dr. Heher says. He suggests that you make a point to study the country’s language, culture and history; maintain your sense of humor and positive outlook; keep in touch with friends and family at home; exercise; be alert for signs of serious mental illness, anxiety or depression; and cultivate acquaintances with fellow expatriates and local nationals. Expatriate associations, newcomers clubs, local chambers of commerce and other associations of citizens abroad can be a tremendous help in adjusting.

All this is true, of course. You will go through “withdrawals” for home, you will be anxious, and you will second guess every decision you have ever made. But I can also *practically* guarantee that all this will pass. And if it doesn’t? As my colleague Lee Harrison likes to say, “This is not a one-way drop.”

If you decide you have made a mistake, you can go somewhere new and try something else. There are lots of places out there that are worth a look...and you can always go home.

Insider Tip: One way to assure a smooth transition? Don’t compromise when making your plan. If you hate humidity, don’t move to a tropical beach...head for the mountains instead. If you’re a city person, consider whether small-town living is for you. Know thyself...and plan accordingly.

9. Slow down and enjoy what you are doing. This is why you moved in the first place, right? To find a better life. So relax. Take some time and get to know your new home. Get out and meet people. Break out of that cocoon and turn into the butterfly you know you can be. This is how

Susan became Susannah and Ray became Ramón. It may not happen overnight. Most changes take time, after all. Think about what you want from your new life and stick to your plan. Do those things on your “want to do” list and give up those “leave behind” things.

10. Revisit Steps #1 and 2 regularly. Sometimes we need a little reminder about why we are making changes in our lives. So revisit your “leave-behind” and “to-do” lists with frequency. After you’ve been in your new home for awhile, you might forget that you planned to take more walks, golf more, drink less, eat more chocolate. Remember why you are here...and enjoy your new life.

By the way, remember the question at the beginning of this article... What kind of person goes on vacation and never goes home? There is no right answer and there is no wrong answer. Some people shouldn’t do it, that’s true, but anyone *can* do it. Can you?

International Tax Planning: Taxes in Mexico

By Maurice M. Glazer

One of the main destinations for U.S., Canadian, and other citizens looking to relocate or buy a second home is Mexico. So let’s talk about taxes in Mexico that apply to the foreign resident.

Resident individuals are subject to Mexican income tax on their worldwide income, regardless of their nationality.

Foreigners working in Mexico under a visitor’s permit should probably not be considered as residents until they have established some type of physical home in Mexico and have remained in the country for at least 183 days in a calendar year.

Maximum federal income tax rate is 35%. Taxes in Mexico are being reduced 1% in 2007.

Other federal taxes include value added (15% of goods/services), social security (5.15%, max \$1,650), tax on assets held (1.8%).

Gains on the disposition of real property or shares of capital stock receive favorable income tax treatment in that historical costs may be increased by factors (based on the number of years the asset had been held) to adjust them for inflation. However, tax consultation should be obtained before buying or selling property.

Gains on sales of securities through the Mexican stock exchange, when the securities are classified as available to the general public, are exempt from tax.

Gains from the sale of the taxpayer’s principal residence are exempt, provided the taxpayer occupied it as such during the two years before the sale.

You cannot have two primary residences at the same time. Therefore, if you claim the home in Mexico as your primary residence, you give up your primary residency status in the United States.

The capital gains tax exclusion is intended for residents of Mexico, not for persons owning second homes or vacation homes.

This is a very important issue and the following pointers should be analyzed carefully before making any decisions on your purchase or sell.

Capital gains tax law in Mexico states that tax is owed on the profit you receive when you sell your home or property (not a primary residence). By law there are two options for you.

No capital gains tax is due when a property is sold that was purchased in qualified plan.

Option 1: 30% of the net profit (variety of deductions included in this option)

Option 2: 25% of the gross sales amount with no deductions

Always record the full value of your purchase. Example: You purchase a lot for \$1 million, but record a value of \$500,000. In the eyes of the Mexican tax law, your cost basis is now \$500,000. If you sell the lot for \$1.2 million you will see a profit of \$200,000. However, according to your recorded cost basis, Mexico sees a profit of \$700,00 and your capital gains tax for Mexico would be 30% of \$700,000 (\$210,000). You just lost \$10,000 instead of making a profit.

Recording the real value benefits you and establishes your cost basis in Mexico.

Since the amount you pay for a property has no impact on your yearly property taxes, it is important to think twice before taking on a tax authority.

Capital gains taxes you pay in Mexico, or in other foreign countries can be applied to your U.S. taxes.

When you sign your new trust, ask the notary to jot down the exchange rate on the document itself. This will come in handy years later.

Because as soon as you pay your 2% acquisition tax, to receive your trust (if buying through a fideicomiso), you are eligible to receive an inflationary credit from the Mexican Government for every year you own the property. This credit is added to your cost basis when you decide to sell your property.

The credit is based on consumer index adjustments (inflation) and can be quite significant. We have seen credits in excess of 15% per year applied to a cost basis. On a million-dollar property, this can be as much as \$200,000 per year added to your cost basis, significantly reducing your capital gains tax should you decide to sell in the coming years.

Remember, you are not eligible to receive the inflationary credit unless you have paid your 2% acquisition tax. You can receive the inflationary credit based on the date of your buy/sell agreement.

The tax incentive in Mexico states that if you sell your "primary residence" after two years, you pay no capital gains. This law is in place for "residents" (Mexicans nationals or foreigners) of Mexico only, and there are several items required to establish residency status. In order to claim your home as your primary residence in Mexico, you should be able to prove that it really is your primary residence.

At the closing, you will be required to provide the Notary with a residence visa (FM2), as well as a bank account, water, phone, and electric bill, paid tax receipts and your trust, all in your name, all with the address of the home and all in place for two years.

Summary of Mexican, Canadian and U.S. Taxes

	U.S.	Canada	Mexico
Deduction of interest/tax on personal residence	Yes (including 2nd residence)	No	No
Top federal personal income tax rate	35%	29%	35%
Foreign income/housing exclusion (or tax credits) for residents working abroad	Yes (\$80,000 max income exclusion, housing exclusion for expenses over \$31.64 per day stayed abroad)	Yes (\$80,000 max tax credit for work in resource/construction/ /agriculture/engineer project, "reasonable" housing exclusion for residents working abroad)	X
Gain exclusive for sale of principal residence	Yes (\$500,000 exclusion for joint filers that have stayed in the residence at least 2 years out of the 5 year period ending on date of sale)	Yes (Any gain amount is tax exempt)	Yes Exempt if occupied 2 years before sale
Mexican real estate in retirement plan	Yes (With restrictions like annual appraisal / Audit, bond coverage)	No (Only Canadian real estate, or limited partnership listed in Canadian stock exchange qualify)	X
Rental Loss	Limited to \$25,000 passive loss if income exceeds \$150,000 or 100% if real estate broker in the business	Limited to zero passive loss	No Loss Limit

Although tax planning in any individual country is difficult, crossing international borders makes the tax planning even more challenging.

There are many tax laws that have not been discussed from all three countries, but a good tax plan looks at each country's laws and uses the client's objectives as a guide to solving the problem, based on the individual client's income and deductions.

For the most part each country wants to collect all the tax due to them, but will give you a credit for the foreign tax paid.

On the U.S. tax return, if you live and work in Mexico, you can also get up to an \$80,000 gross income exclusion plus living expense allowances paid.

In summary, the solution to saving tax is good planning and analyzing all the possibilities between the countries that you are involved in.

Editor's Note: For 46 years, tax planning has been Morey Glazer's business and hobby. Since 1960, he has offered consultation services such as bookkeeping, auditing, forensic auditing, and accounting, all of which have set the tempo for the planning concepts that he uses today. Originally from Chicago, Morey now lives in Dallas and is CEO of The Glazer Group there, specializing in tax and accounting services. He speaks at numerous corporate and organization meetings (including International Living Live and Prosper in Mexico seminars), has written and published many articles and publications, and appeared on syndicated television programs and local broadcasts. Last month, Morey provided a checklist of the documents (copies) a tax advisor might ask for to perform a consultation. Please refer to last month's article for that, or contact Morey, tel.: 972-385-0007, e-mail: mglazer@glazerfinancial.com



Today's Currency Update

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Rates as of January 9, 2007

1 U.S. dollar equals 11 peso
1 peso equals .09 U.S. dollar

Get Your Passport Now if You Have Mexico Travel Plans

Important Notice for Travelers to Mexico

We've told you before about new requirements for anyone entering the U.S. But this news is important and bears repeating.

The new requirements are especially important for those who are used to traveling to and from Mexico (or Canada, Bermuda, or the Caribbean) with just a driver's license or birth certificate. It is time to get your passports.

According to the U.S. State Department website, **as of January 23, 2007**, anyone who seeks entry when traveling by air into the United States will be required to have a valid passport.

For those arriving by land or sea: For those of you planning to drive across the border or enter the U.S. by boat, you will be required to have a valid passport as of January 1, 2008. It will be possible to apply for a limited Passport Card (called the Pass Card) for use for travel only by land or sea. This card is still in development, however, so our advice is to just go ahead and get your passport.

[Find out more at the State Department website here.](#)

The new regulations are being implemented under the Intelligence Reform and Terrorism Prevention Act of 2004 in an effort to tighten U.S. border security.

According to several sources, U.S. Post Offices nationwide are facing a rush for passport applications and little help is available on filling out the forms. If you plan to travel to Mexico any time soon and you do not already have a passport, you will certainly want to start the procedure to obtain one now.



Updates From Around Mexico

From Patrice Wynne in San Miguel de Allende:

A 7-story condominium complex is under construction on the Caracol, the road that winds down from upper to lower San Miguel and provides beautiful vista overlooking the town. This construction does not conform to the codes in place to preserve the character of San Miguel – and town meetings and protests to this project are planned. These protests are critical to the future of San Miguel, as is involvement by all concerned citizens – Mexican and foreign – on the issue of runaway development in San Miguel which has ecological consequences affecting the quality of life for everyone.

Please read Joe McClain's email below:

Dear Friends: I was able to attend the meeting on Friday evening regarding the construction in San Miguel that has many of us very, very concerned. It was a great meeting, led by the members of the organization to preserve the 'patrimonio' of San Miguel. Probably 90% of the attendees were leading Mexican residents of our town which I found very encouraging. I also found that the stance of this protest is simply to insist that the authorities of the city continue obeying existing laws as regards the release of construction permits. This has nothing to do with liking or not liking certain kinds of building, but rather complying with existing laws which are meant to protect this unique town.

One of the issues which came up was a question as to the legality of foreigners being involved in protesting actions such as these construction projects. A lawyer present stated the law: Foreigners are absolutely permitted to involve themselves in efforts such as these.....the law only prohibits them from trying to influence elections and the governmental process. In cases such as this, foreigners are clearly allowed to express their opinions in any public forum.

The important outcome of the meeting was an agreement to undertake several actions. A letter signed by many San Miguelenses and other residents will be delivered to the City Council demanding the stop of the project at the Caracol. It seems really imperative that the City Council understand that people are not willing to see this tide of construction forever alter the face of this unique and amazing place.



Mexico in the News

Wheelers and dealers take note:

Will a slowdown in the U.S. economy erode demand for Mexican exports? Mexico's peso rose after a report citing increases in U.S. home sales bolstered confidence that U.S. consumer demand will remain strong:

<http://www.bloomberg.com/apps/news?pid=20601086&sid=at1AFu0KyMCg&refer=news>

It's record highs for Mexican stocks once again. How a cement maker and Wal-Mart helped the benchmark IPC stock index:

<http://www.thestar.com/Business/article/165564>

Optimism over new Mexican President Felipe Calderon's promise to keep government spending and inflation in check led Mexico's 10-year bond to record gains. The 10-year peso-denominated bonds returned 15.7 percent since Calderon won the July 2 elections:

<http://www.bloomberg.com/apps/news?pid=20601086&sid=afcP1exrNv2o&refer=news>

An August 2006 agreement to broaden the bilateral Economic Complementation Accord between Mexico and Argentina has taken effect. Tariffs on some 1,500 bilateral trade products will be reduced to zero by means of a gradual sliding scale:

<http://www.mercopress.com/vernoticia.do?id=9589&formato=HTML>

Swiss banking group UBS AG will offer banking services in Mexico starting as soon as the first quarter of this year. Why institutional investors in Mexico should be excited:

<http://www.forbes.com/business/feeds/afx/2007/01/08/afx3309422.html>

For the road warriors...

"Imagine holding onto the side of a building 15 floors up and knowing that any slip will send you plummeting to the sidewalk below. Now replace the sidewalk with a deep canyon and the building with a sheer limestone cliff..." sound like a thrilling place? Well it's also beautiful...and it's in Mexico:

<http://www.mysanantonio.com/salife/travel/stories/MYSA010707.1Q.MX.rock.climbing.e24504.html>

The trend known as medical tourism boasts a new, ultra-modern program. The Wellness Spa/Medi Holiday Program at the Casa Velas Hotel in Puerto Vallarta, Mexico, offers a medical check-up, daily spa treatments, a nutritionist-created menu and golf for some 40% less than the cost in the United States:

<http://digital50.com/news/items/BW/2001/07/14/20061227005265/mexicos-casa-velas-all-inclusive-hotel-joins-medical-tourism-trend-with-innovative.html>

Searching for a place that "looks like Mexico, not some noisy, crowded generic strip of hotel high rises"? Mexico Boutique Hotels (MBH) claims to have the answer, and the numbers indicate they might be right:

http://www.washingtonceo.com/index.php?id=90&tx_ttnews%5Btt_news%5D=288&tx_ttnews%5BbackPid%5D=49&cHash=a806757415

Though Mexico City may conjure images of crowded streets, Joseph Blake says the city's ancient stories, artistic energy and vibrant culture make this "a city of tomorrow basking in the glory of its past...Built upon the dust of the dismantled Aztec civilization." Read more about his journey:

<http://www.canada.com/montrealgazette/news/travel/story.html?id=721bf1be-37c1-4d4f-bba5-63d333c53e8c>

What is a cenote? Here's a hint: you can get fresh water here, but don't be surprised to find human remains, gold, jade or pottery, as well:

<http://www.statesman.com/life/content/life/stories/travel/12/31/31cenotes.html>

Searching for a fun Mexico-related read to supplement your more serious texts? Here's a review and a great recommendation:

<http://www.eluniversal.com.mx/miami/22879.html>

And while you're in Mexico, scan the skies for this:

http://english.pravda.ru/news/society/09-01-2007/86267-banana_fly-0

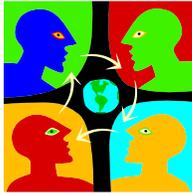
Party line and official press...

Seems the tides have really turned for failed presidential candidate Lopez Obrador, who is now complaining about media bias against him. The latest antic for this attention-seeking demagogue? A new talk show (yes, really):

<http://news.bbc.co.uk/2/hi/americas/6243595.stm>

Last-minute passport inquiries are bound to foil your travel plans to Mexico if you haven't already applied for this important document. A new law, scheduled to go into effect days ago, was pushed back—but not for long. Those flying to or from Mexico must have a passport as of January 23:

<http://www.kvbc.com/Global/story.asp?S=5906234&nav=15MV>



Upcoming Events

Save the Date

An International Living Live and Prosper in Mexico Seminar is scheduled for San Miguel de Allende for June 3-5, 2007. Details have not yet been finalized, but for more information or to reserve your spot, e-mail Events@InternationalLiving.com

For a list of other International Living events scheduled for other parts of the world, go here:

www.InternationalLiving.com/Events

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