

Retirement: Why Panama Is the New Florida

Contributed by Administrator

By Michelle Conlin for Business Week Magazine - Prospective retirees: Panama wants you. The pitch? A plane ride just 2 1/2 hours from Miami enables the newly poor to swap a wretched retirement in the U.S. for one befitting a royal in the balmy Central American nation. Cash out! Emigrate! Feel rich! Panama—the new Florida. Spin aside, Panama is increasingly popular among retirement-age types looking to hedge against—or skip out on—the recession.

The Migration Policy Institute, a Washington-based think tank that studies the movement of people around the world, says the chief factors prodding professional-class Americans to flock to Panama include its First World health care available at Third World prices and the country's pensioner program, which offers some of the deepest retiree discounts in Latin America. Seniors get up to half off on nearly everything, including movies, motels, doctors' visits, plane tickets, professional services, and electric bills. Expats also pay no tax in Panama on foreign income. Nor are they required to pay property tax for the first 20 years. (more)

The fact that a deluxe beach front manse can be had for the same price as a dump in Daytona doesn't hurt, either. "We would have been looking at \$3 million in Miami," says Jon Nickel of his 3,000-square-foot oceanfront penthouse in Panama City. Nickel and his wife, Gretchen, bought the place in late 2007 for \$250,000, right after Nickel retired from his corporate law job in Portland, Ore., and sold the family's mortgage-free home for \$800,000.

MORE BANG FOR THE BUCK - The skinny isthmus—nearly all coastline, with a mountain range slicing through the middle—boasts some of the best weather and lowest crime rates in Latin America. Other draws include guilt-free conspicuous consumption, with laughably low prices—by gringo standards—on splurges such as a day of beauty (\$10) and a maid (\$15 a day). A complete blood workup at Panama City's gleaming new Hospital Punta Pacifica, managed by Johns Hopkins Medicine International, is \$36. A checkup with a physician is \$50. Boomers who say they would have had to pay roughly \$1,200 a month in the U.S. for health care say they are paying roughly \$800 a year for coverage in Panama. Barbara Dove, a 66-year-old who suffers from Parkinson's disease, worried that she would eventually need in-home care if her condition deteriorates. Researching rates in Seattle, she found that nurses run \$25 an hour. In Panama City, where she has lived since 2007, they cost \$25 a day. Says Dove: "I didn't want my kids to have to worry about me."

According to a 2006 report by the Migration Policy Institute, the number of Panama visas issued to U.S. citizens began to rise dramatically after 2003, and an estimated 25,000 U.S. expatriates live there today. "With Americans aging, the economy in shambles, and, possibly, Medicare benefits on the cutting block, it is reasonable to assume that more Americans will retire abroad, particularly to warm, sunny locations such as Panama, where they can get more value for their dollar," says the Institute's president, Demetrios Papademetriou.

That's not to say life there suits everyone. Things in Panama move really slowly. A repairman who says he will be right over might show up days later. Water and electricity service can be spotty. In Panama City, drivers treat stop signs as a mild suggestion. "It takes a little bit of balls to retire here," says Matt Landau, a New Jersey native who is the founder of Panama City-based online portal The Panama Report. "This is not for type As. It's not your turnkey Florida retirement."

Still, boomers who have recently relocated to Panama say they feel as if they have figured out a successful geographic arbitrage. When Stephen Johnson and Linda Murdock were living in Aromas, Calif., they used to moan half-jokingly about how they'd have to retire to Barstow—the armpit of the Mojave Desert, with summers in excess of 100 degrees and winters that can dip below freezing.

Stephen, 63, retired as an executive of the Salinas Valley Solid Waste Authority in June 2008. His wife, Linda, 57, owned a dog-food business.

The pair had watched several friends retire on depleted cash cushions. Many weren't fully eligible for Medicare and wound up spending 50% of their income on health care. The couple's retirement agita was worsened by the fact that they got a late start building equity. "We bought our first house when I was 40 and Steve was 46," says Linda. "We knew we would never have our house paid for by retirement."

Over late-night pinot noir on their patio, they started talking about moving to a developing nation to stretch their money further. They had discovered Panama on a trip there in 2004 and saw it as a bargain-basement paradise. The low cost of living appealed to Steve, whose pension amounted to 40% of his pre-retirement income of \$150,000. The surf-perfect weather lured Linda, who took up the sport on her 50th birthday.

CRACKS IN PARADISE - Johnson and Murdock are now known as the gringos who live in the house with the red door. They bought their newly remodeled 1890 hacienda near the beach in San Carlos for \$100,000 cash. They moved in last year and rented out their California ranch house. The rent covers the carrying costs on that house.

But Panama isn't only about the beach. The Boquete region in the mountains—Panama's answer to Boulder, Colo.—boasts loads of U.S.-style gated retirement compounds. The big draws of the area are tennis and golf. For those who are more interested in urban amenities, Panama City, which is by the sea, is sprouting yoga studios, bohemian boutiques, health-food stores, and artsy coffee houses.

Still, there are tradeoffs in this seemingly easy life. "Paradise is just a place you visit," says Johnson. "If you live here, you begin to see the cracks." Those include the three months it took them to get their driver's licenses—a process that involved blood tests, a hearing exam, and lines that make a U.S. Motor Vehicles Dept. seem like a fast-food joint.

But Johnson and Murdock have no major complaints, and Panama is certainly better than the Mojave. Murdock surfs—every single day—and says Johnson looks 20 years younger since retiring. They both love the way their dog can run on the beach without a leash and the fact that their doctors, many of them schooled in the U.S., happily give out their cell-phone numbers and actually answer when called. And their social life is far more active than it was in Aromas. They go out with new friends, a blend of expats and natives, almost daily, often for evenings of fish tacos and endless margaritas—for \$20. "We have more time," says Johnson. "And apparently we have more money."