

A Reprint from *Tierra Grande*

# ¡Viva Retirement!

## Looking South of the Border

By Harold D. Hunt

**"I**f you build it, he will come." Those mysterious words from the 1989 movie "Field of Dreams" ultimately implied that a small ballpark in a remote area of the country could be so compelling that thousands of people would visit it.

Mexican developers in the northeastern state of Tamaulipas are pondering a similar idea. If they build residential developments along the Gulf of Mexico south of the Rio Grande Valley, will Texans consider retiring there?

What would it take to entice Texans to retirement communities along Mexico's northeastern Gulf Coast? Could Texas real estate licensees benefit from such a trend if it were to occur?

Several academic studies examining the international migration of retirees provide some insight. Taken together, they paint an interesting picture of how seniors think and how their

influence can affect the development of successful foreign retirement communities.

### Tight Money May Cramp Senior Lifestyles

Many Americans are not saving enough for retirement. About 52 percent of the U.S. workforce has no private pension coverage and 31 percent has no savings set aside for retirement, according to the Social Security Administration.

This suggests that a significant amount of retirement income for the 78 million baby boomers in the pipeline may come from Social Security payments. The average monthly benefit for all Social Security recipients as of June 2007 was \$1,050. Among elderly recipients, 54 percent of married couples and 74 percent of unmarried persons received at least half their total retirement income from Social Security.



**THE MULTIMILLION DOLLAR EL PARAISO**  
*Real Estate and Golf Resort is 60 miles north of Tampico in the fishing village of Barra del Tordo. The development features concrete construction riverside homes (left), vacation cabanas, a pool-restaurant complex (below) and golf course (p. 5), all with stunning vistas (bottom).*

### Mexican Hot Spots

**T**he U.S. Department of State estimates that, of the four million Americans living abroad, 600,000 to one million live in Mexico. The Bureau of Consular Affairs reports that about 400,000 U.S. citizens have acquired Mexican residential properties.



Americans are allowed fee-simple ownership of property in most of Mexico. However, residential property located inside the country's restricted zone, an area within 31 miles of the coastline and 62 miles of an international border, must be acquired through a Mexican trust.

Three Mexican locales have already become popular destinations for American retirees. They include Baja California (North and South), the Lake Chapala region south of Guadalajara in the state of Jalisco and San Miguel de Allende in the state of Guanajuato.

Lake Chapala, at 5,000 feet elevation, and San Miguel, at more than 6,000 feet, offer mild weather year-round in quaint cultural settings. Baja California offers sand, sun and ocean views along with much more affordable housing compared with California.

Baja California North has become especially popular for retirees and second-home purchasers. More than 16,000 condos, houses and lots were for sale, under construction or planned inside the 75-mile stretch of land between Tijuana and Ensenada, according to Gustavo Torres of RE/MAX Baja Realty. Torres believes the total investment is about \$4.1 billion.

### Retirement Migration Studies

**F**ive academic studies based on survey data provide an in-depth look at why elderly people choose to retire outside their home countries. Four examine the migration patterns of elderly U.S. citizens to Latin American countries, primarily Mexico, and one study analyzes the migration of elderly Swedes to Spain.

#### **U.S. Retirees in Mexico**

Lorena Melton Young Otero published "U.S. Retired Persons in Mexico" in 1997. Otero discovered that U.S. retirees relocating to Mexico were mainly interested in a lower cost of living, better "geographic amenities" such as climate and mountain or ocean views and a better quality of life.

Retirees identified the ability to afford domestic help as an important component of an improved quality of life. About 78 percent of those surveyed had employed maids while 94 percent had hired outside domestic help such as gardeners.



If these percentages hold, by 2010 more than 1.3 million Texas residents over the age of 65 could be dependent on Social Security for 50 percent or more of their retirement income. That number could increase to more than 2.6 million by 2030.

Only one-third of boomers foresee having enough money to live comfortably after retirement. As a result, many Texas retirees may be forced to consider more affordable housing alternatives outside the United States.

Spanish proficiency was not high. Sixty-four percent of retirees reported speaking no Spanish at all; only 12 percent considered themselves fluent. Average proficiency in Spanish declined as the concentration of Americans in a community increased.

Retirement income was relatively low. Seventy-eight percent of retirees reported that their total monthly income was \$1,800 or less. Forty percent of retirees rented their homes. Almost half of those surveyed traveled back to the United States at least once a year. Eighty-eight percent of those trips were made by automobile.

Otero discovered that U.S. retirees had both positive and negative effects on their Mexican communities. On the positive side, local mail, Internet and phone service often received needed upgrades. Communities also opened more banks, supermarkets and restaurants, creating new employment opportunities for Mexican locals.

On the negative side, the cost of housing, food and other basic necessities generally increased faster than in Mexican communities with no U.S. presence. Retirees reported being especially drawn to small, attractive towns that were close to large cities with excellent airports, good medical facilities and a variety of cultural attractions.

### **Swedish Retirees in Spain**

Published in 2001, Per Gustafson's "Retirement Migration and Transnational Lifestyles" found that elderly Swedes were also searching for a better quality of life, a warmer, healthier climate, and a lower cost of living when relocating to Spain. He also discovered that Swedes wanted the ability to choose how much they adapted to Spanish culture.

This led to the identification of three distinct lifestyles among the Swedish retirees in Spain. The first group felt that Sweden was their true home and only took seasonal trips to Spain to enjoy the warm climate during the winter months. They often limited their contact with Spaniards and showed little inclination to adapt to the local culture.

The second group lived in Spain year-round, primarily for health reasons. However, they reported retaining a strong attachment to Sweden. Their average age was older than the other two groups, and they felt that they were too old to acquire new habits. As a result, they rarely learned the language and made few adaptations to the Spanish culture.

In effect, this group wished to continue their Swedish lifestyle in Spain. As a result, Swedish enclaves sprang up to cater to the group's desire for cultural isolation. They generally returned to Sweden when any serious medical condition or loss of mobility occurred.

The third group also lived in Spain year-round. However, they enjoyed "switching lifestyles" while living there. They established close friendships with Spaniards and embraced the Spanish culture and language. Most of this group had spent considerable time traveling in Spain before retirement, and they typically retired early while in good health.

### **Pull of Mexico or Push of America**

David Truly's "International Retirement Migration and Tourism Along the Lake Chapala Riviera" was published in 2002. Truly found that either positive "pull" factors or negative "push" factors affected a retiree's decision to relocate to Mexico.

Those affected by pull factors were drawn to Mexico's favorable climate, better quality of life or lower cost of living. The move was a positive experience, and they were moving "toward" a better environment.

On the other hand, retirees affected by push factors often relocated to Mexico to "get away" from an undesirable situation. Many described being disillusioned with some segment of U.S. culture, such as the loss of traditional values or America's perceived obsession with work.

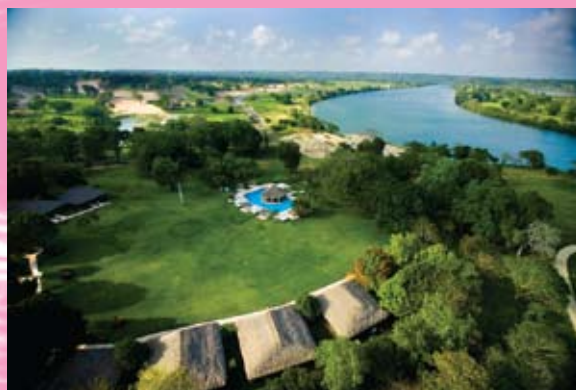
Truly also found that, whether a retiree had been pulled or pushed into retiring in Mexico, some embraced the Mexican culture while others were determined not to. The importance of this finding was in the timing. Truly discovered that first-arrivers to a community were primarily people who wanted to assimilate into the Mexican culture, while late-arrivers had almost no desire to adapt.

The relative isolation of new retirement communities combined with a lack of modern amenities extended the period that first-arrivers could enjoy the area's native culture and charm. However, increasing access to American products and services previously unavailable in Mexico began to reduce international barriers to migration.

In time, retirement communities grew in popularity. Late-arrivers, who preferred to import their original lifestyle into Mexico, eventually outnumbered first-arrivers. Similar to the Swedish experience, isolated American residential enclaves were the result. Unfortunately, congestion and overcrowding often followed as well.

### **Rising Medical Costs Drive Retirees South**

David Dixon, Julie Murray and Julia Gelatt of the Migration Policy Institute published "America's Emigrants: U.S.



Retirement Migration to Mexico and Panama" in 2006. The authors argued that increasing numbers of U.S. baby boomers will choose retirement in Latin America because of escalating U.S. medical costs, insufficient Social Security and pension income and improved communication and transportation technology.

The authors suggested that the U.S. government should make Medicare benefits available to U.S. citizens residing and receiving health care in foreign countries, thus lowering the cost for both the retiree and the U.S. government. Medicare benefits are not currently available outside the United States. Visa, tax and property ownership laws must also be considered when choosing to retire in a Latin American country.

The authors also discovered that many retirees had used the Internet to locate retirement properties abroad. Although few of the retirees surveyed considered themselves fluent in Spanish, they reported having no trouble finding English-speaking lawyers and real estate professionals.

Finally, though 50 percent reported a total monthly income of \$2,000 or less, a majority of retirees conveyed that they employed domestic help on a regular basis.

### Hierarchy of Reasons

The results of "United States' International Retirement Migration: The Reasons for Retiring to the Environs of Lake Chapala, Mexico"

by Sunil, Rojas and Bradley were published in 2007. The authors surveyed non-Hispanic white retirees in the Lake Chapala area. The authors discovered that retirees had generally migrated to Mexico based on some combination of financial circumstances, superior climate and natural environment, a strong sense of community and a desire for a better quality of life.

The authors also published a hierarchy of the reasons for retirement to Mexico. Multiple responses were allowed. The most popular reasons included cost of living (88 percent), climate (69 percent), natural beauty (66 percent), acceptance of foreigners (55 percent), the presence of a large American community (53 percent) and cost/quality of health care (47 percent). About 91 percent of respondents reported socializing with other Americans at least once a week.

### Lessons to be Learned

These previous studies suggest that affordability will be a critical factor in the success of any retirement development in Mexico. A significant majority of elderly people are looking for a housing bargain when they decide to retire outside the United States.

Housing prices will be a critical factor in determining what segment of future Texas retirees could be targeted. Based on Baja California's experience with Californians, a substantially lower price relative to Texas markets could be a strong incentive to migrate to the Mexican Gulf Coast.

The studies also indicate that most elderly Texans would not feel comfortable living in isolation in Mexico. This suggests that a small development would likely struggle for a number of years until more infrastructure, cultural activities and modern amenities were constructed. A few early pioneers might be expected to retire to the area to enjoy the initial quaintness.

Another option would be to construct a large, diversified development to create a sense of community from the beginning. However, this might require government assistance. An example would be Cancun's development.

Cancun got off the ground in 1970 with a \$27 million loan from the Inter-American Development Bank to the Bank

of Mexico to build the initial infrastructure. The Mexican government then financed the first nine hotels constructed in Cancun. The city's population has grown from less than ten in 1970 to more than 600,000 today.

Although retirees reported locating potential properties on the Internet, getting Texas real estate professionals behind the marketing of Mexican retirement communities could boost sales. Texas brokers and salespeople could create a buzz and lend credibility to a retirement development. However, many Texas licensees remain skeptical about whether they would in fact receive a referral payment from a Mexican real estate professional.

Ari Feldman, CCIM and broker/owner of Mayan Properties in Cancun, believes referrals hinge on relationships.

"Texas licensees need to develop a solid relationship with a Mexican counterpart and should specifically do deals with a member of AMPI.

The organization now has an honor and justice committee to arbitrate disputes over commissions," says Feldman.

The National Association of Realtors formally signed a joint reciprocal membership agreement with Asociación

Mexicana de Profesionales Inmobiliarios A.C. (AMPI) in October 2006. All AMPI members are now Realtors as well.

While this research suggests that Texans may consider retiring to Mexico, the studies did not address two issues of particular concern to Texans: personal security and distance from major Texas metropolitan areas.

Many Texans express fear about having to drive their vehicles into the Mexican interior because of personal safety concerns. Furthermore, driving time from the state's major metropolitan areas to the Rio Grande Valley is significant. Driving several more hours to reach a development along the upper Mexican Gulf Coast would probably involve a multi-day commute. Compared with the one-hour drive from San Diego to the beaches of Baja California, the difference in travel time is significant.

Given the state of the U.S. economy and retirees' desire to maintain a similar lifestyle, the next few years may well see increasing numbers of retirement villages on the Mexican Gulf Coast. The possibilities are intriguing. 📍

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### THE TAKEAWAY

Studies show that Americans retiring to Mexico are seeking a lower cost of living and better quality of life. Most still want to live where there are other Americans so they can socialize with them, and want access to American products and services.



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