

THE  
**GLOBAL  
EXPATRIATE'S**  
GUIDE TO  
**INVESTING**

FROM MILLIONAIRE TEACHER  
TO MILLIONAIRE EXPAT



**Andrew Hallam**

Bestselling Author of *MILLIONAIRE TEACHER*

Foreword by Scott Burns

**WILEY**



Additional Praise for  
**The Global Expatriate's Guide to Investing**

“This book is a must-read for expatriates or anyone thinking of becoming one. Whether you're an investor from Canada, the U.S., South America, Asia, Europe, Great Britain, Australia or New Zealand, you'll find the advice well-researched, useful, and easy to understand. Thanks to Andrew's wry sense of humor, it's surprisingly easy to digest too.”

**Duncan Hood, Editor-in-Chief, *MoneySense* magazine**

“A brilliantly written uncommon common sense guide to protecting your nest egg from both predators and yourself.”

**Allan Roth, author of *How a Second Grader Beat Wall Street***

“Millionaire Teacher resonated with so many investors because Andrew Hallam lives what he teaches. This new book has that same credibility, and it fills a huge gap in the marketplace. Expats don't just need to overcome the usual investment hurdles: they also face an extra logistical and tax burden when building their portfolios. Hallam is the ideal guide, because he's been there, and he's already cleared the trail.”

**Dan Bortolotti, Investment advisor with PWL Capital (Toronto), author Canadian Couch Potato blog**

“This book is a must read by expats and their human resources departments if they hope to get on the path for a successful retirement. It covers all the bases including the egregious costs of the offshore pension schemes, country specific information on how to set up a low cost index investment approach and pitfalls expats need to avoid.”

**Robert Wasilewski, RW Investment Strategies, author of *DIY Investor Blog***

“Employers of expatriates, whether they're businesses or international schools, should give their employees a copy of this book. Hallam's investment strategies are aligned with academic evidence, and not the sales driven rhetoric to which so many naïve investors fall victim.”

**Larry Swedroe, Author of *Think, Act and Invest Like Warren Buffett*, principal and Director of Research for Buckingham Asset Management Alliance**

“While Andrew Hallam’s book is aimed at Expats, it’s for anyone. It’s a wonderful and breezy how-to book which will help Expats and homebodies alike to avoid the myriad financial landmines that can derail our plans. It is, of course, must-read material for anyone thinking of moving or retiring in a foreign land. One thing I love about the book is the way that Andrew gleefully eviscerates sacred cows, whether they are widely accepted dogma or powerful interest blocs. It’s fun to read truth that’s not wrapped in caution.”

**Rob Arnott, Chairman and CEO, Research  
Affiliates; co-author, *The Fundamental Index***

“A good follow up book by Andrew Hallam, extoling the need to be self-reliant in our investing for our retirement. Andrew writes with a clear and logical thought process”

**Jenny Chiam, Senior Vice President,  
Head of Securities—Singapore Exchange**

“This is a great book for expatriates looking to grow and protect their hard-earned money. This book will help you avoid many costly and risky pitfalls with your life savings.”

**Craig Rowland, co-author *The Permanent  
Portfolio, Harry Browne’s Long-Term Investment Strategy***

“In the opening lines of his book *The Global Expatriate’s Guide to Investing*, Andrew Hallam reveals that at the tender age of nineteen, “I planned how much money I wanted to save, and why.” If you gain nothing else from this book—and you will glean a great deal more—Hallam’s reminder that saving is a critical part of the long-term wealth creation equation is priceless. And, the best part? Andrew will keep you laughing while you are learning—the mark of a great teacher who knows the material cold. This book is a must-read part of your investing library!”

**Nancy Tengler, Author *The Women’s Guide to Successful  
Investing*, investing columnist for *The Arizona  
Republic*, former Chief Executive Officer and Chief  
Investment Officer, Fremont Investment Advisors**

The Global  
Expatriate's Guide  
to Investing



# The Global Expatriate's Guide to Investing

*From Millionaire Teacher  
to Millionaire Expat*

Andrew Hallam

WILEY

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Cover design: Wiley

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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***Library of Congress Cataloging-in-Publication Data:***

Hallam, Andrew (Teacher)

The global expatriate's guide to investing : from millionaire teacher to millionaire expat/  
Andrew Hallam.

pages cm

Includes bibliographical references and index.

ISBN 978-1-119-02098-1 (cloth); ISBN 978-1-119-02100-1 (ebk); ISBN 978-1-119-02099-8 (ebk)

1. Finance, Personal. 2. Investments. 3. Retirement income—Planning. I. Title.

HG179.H238 2015

332.6—dc23

2014030762

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*This book is dedicated to the millions of people who have  
taken the global road less traveled.*

*And to those who have purchased inflexible,  
expensive offshore pensions: May the cold calls stop ringing.  
And may global employers get wise to the investment foxes  
so many have invited into their own henhouses.*



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# Foreword

*Scott Burns*

## **Investing: Now Anyone Can Do It, Anywhere**

Some people like investing. Most people don't. They would rather do something else. Almost anything else, in fact. People clean their ovens, sweep the garage and clean out old files to avoid it. Others will fold socks, return used printer cartridges or visit their in-laws. They will do all this to avoid thinking about saving and investing.

That's just the way it is.

But Andrew Hallam has opened a door. Here, people who don't like investing can mix with people who do. And both can benefit. The people who like investing can benefit: These pages are a passport to investing anywhere in the world. Here, you can learn to be a free agent, in charge of your life, now and later.

The people who don't like investing can benefit because this book is an easy read. It tells you how to invest at the lowest possible cost. The result is more money growing for you. The book does the telling in step-by-step detail. And when it has a calculation, which is rare, it shows you how. Wherever you are from, and wherever you are, the Millionaire Teacher tells you how to invest your savings. He does this using a variety

of funds, all focused on low costs, simplicity and diversification. And, yes, there can be a “tilt” toward where you expect your retirement home base to be.

Absolutely, positively don’t want to do this on your own? Not to worry. Andrew introduces you to some low cost investment managers. These firms will build and track your portfolio at a fraction of conventional costs. Better still, the number and variety of these firms is growing.

So if you are an expat, working or living in a country that isn’t the same as your native country, this is your cornerstone book.

If the mere mention of a calculation makes you nervous, don’t worry. Andrew is a teacher, a good one. He assumes you know nothing and takes you through it step-by-step. Making it simple is important because the best way to achieve your goals is by being a low cost do-it-yourself investor.

Here’s why. Most people worry about the taxman and the damage taxes can do to their savings. But the person likely to do the most damage is the one who wants to sell you an investment program. The offer is that your sage advisor will make brilliant and wise investment decisions for you.

Sorry, this doesn’t happen. Instead, your money helps a salesperson make a pressing Mercedes payment. It may also help his boss buy a house in Aspen or the Hamptons.

The damage that person does isn’t obvious. The financial services industry does its best to disguise the burden of its “customary and normal” fees. The problem starts with how financial expenses are expressed. Universally, they state expenses as a percent of assets managed. So if we commit \$1,000 and the expenses are one percent, it’s only \$10 a year.

It’s hard to complain about that, right?

But the functional burden is much larger. You have to measure by what counts: the actual return on your money. Managing your investment costs for a “modest” 1 percent of assets is one thing. But if the gross return on your money is 8 percent, the manager is taking 12.5 percent of your return. Raise the fees to 3 percent of assets and the manager’s take is 37.5 percent of your return. Yet charges of 3 percent of assets are common in most of the world outside of the United States.

That’s more than the taxman takes from most people. We have also made the benign assumption that the manager will actually deliver such

a return. Most don't. As a multitude of research studies have shown, about 70 percent of all managed money fails to beat its appointed index.

But even that measure understates the true burden people saving for their retirements face. In the *Journal of Portfolio Management* industry guru Charles Ellis tells us the truth.<sup>1</sup> An "informed realist," he says, would measure the cost of active management as "the *incremental* fee as a percentage of *incremental* returns."

Sorry about that.

Here's his example, in plain arithmetic. Suppose you buy a managed fund that has expenses of 1.5 percent a year. Suppose it outperforms its benchmark index by 0.5 percent a year. Since the manager had to outperform the index by 2.0 percent to deliver the extra 0.5 percent, the true cost of management takes 75 percent of the gain. You won't find many taxmen, anywhere on the planet extracting that big a toll. But money managers around the world do it routinely.

Indeed, a management expense of 1.5 percent is low in most of the world outside of the United States. Check the examples provided in these pages. You'll see that expat investors often encounter fee levels of 3 percent and more.

Brokerage houses, insurance companies and banks would love to continue taking their gigantic fees. But the world has changed around them. Where once they were the only ways to distribute investment funds, today they are just the most expensive ways to invest.

Today, we have alternatives. The new institutions have fees so low that it can be 20 years, sometimes more, before their costs exceed what the old guard institutions collect in a single year. Today it is possible to put together a well-diversified global portfolio and do it for well under 0.20 percent a year.

When I introduced the first Couch Potato portfolio in 1991 index mutual funds were in their infancy. There were a handful of low-cost index funds in the United States. Of necessity the original portfolio was dirt simple: a 50/50 mix of US large stocks and US bonds. That simple solution has served thousands of people very well.

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<sup>1</sup> Charles D. Ellis, "The Rise and Fall of Performance Investing," *Journal of Portfolio Management*, July/August 2014

Today there are thousands of Exchange Traded Funds providing low-cost choices. And they are available almost anywhere in the world. So you can do this wherever you are, tailored to wherever you are or wherever you go.

The good news doesn't end there. Intense competition among the lower-cost distribution companies has eliminated commissions on many ETF purchases. It has also brought down annual expenses on many of the most important index funds to own. *At long last, next to nothing stands between you and the return on your money.* This is a buyer's market.

And Andrew Hallam is here to guide you.

—Scott Burns

# Acknowledgments

**N**o book on low-cost investing should be written without a nod to John Bogle. Referred to by many as Saint Jack, he created the first low-cost index fund. The firm he founded, Vanguard, is now the largest mutual fund provider in the world. What's especially cool is that he didn't profit from its growth. Run much like a nonprofit firm, it's testimony to altruistic goodness gone positively viral.

I hope this book does justice to his low-cost, diversified mantra for investors.

I would also like to acknowledge investment writers Ian McGugan and Scott Burns. They're the best personal finance writers I know. And they continue to coach my writing. If this book reads clearly, with a dash of humor, it's largely thanks to them.

The expats profiled within these pages also deserve my heartfelt thanks. You let me pry into the good, bad, and ugly aspects of your personal financial lives. And this book is far more instructive (and, I hope, entertaining) because of your generosity.

Saintly financial advisor Tony Noto also helped greatly with my section on American individual retirement accounts (IRAs). I'm not sure if your clients know, Tony, how fortunate they truly are.

My agent, Sam Fleishman (the man who appears never to sleep) worked tirelessly to ensure I was given a strong publishing contract. Thank you, Sam. Now get to bed.

Finally, to my lovely wife Pele: You tolerated my mission, working as my editor and time manager—pulling me away from the manuscript when life needed living.

# Introduction

**O**n U.S. television, when law enforcement closes in on a white-collar heister, the fugitive often flees to a foreign country. He might steal a yacht headed for the Dominican Republic or fly a Learjet to the Caymans.

The 67 percent of Americans without passports might gasp at the ballsy border-bounding foolishness.<sup>1</sup> Doesn't the crook realize that by leaving the country, he risks being buried in an Afghan cave by Al Qaeda?

Smile if you're among the world's 230 million expatriates.<sup>2</sup> Such risks aren't likely. One genuine pitfall for expats, however, could be poverty in retirement.

Many on cushy foreign packages may scoff at my suggestion. After all, there's a large league of expats in Southeast Asia and the Middle East for which international living and working provide a fast track to Millionairesville. Teaching at international schools are

couples with children, for instance, *saving* more than \$100,000 (U.S. dollars) a year.

And the parents of the kids they teach? Most make the teachers seem like paupers by comparison. They left their home countries to work abroad in industries such as banking, information technology, oil, cosmetics, pharmaceuticals, and shipping. Many work for firms like Coca-Cola, American Express, Johnson & Johnson, Google, Microsoft, Exxon Mobil—the list goes on.

But not all expats (including millions in Europe) make buckets of money. And even those who do face financial risks.

In 2003, when I left Canada to teach in Singapore, I kissed good-bye to a defined benefit pension. Had I continued with my former job, I could have paid off a home, contributed modestly to investments, and received income for life.

Few expats have that luxury. What's worse, most don't realize they would need millions of dollars in the stock market or multiple mortgage-free rental properties just to equal, for example, the retirement benefits earned by most public-sector workers in Great Britain, Australia, or Canada.

Such benefits are globally waning. But they're still a reality, and most governments offer additional monthly cash. Social Security (for Americans), Canadian Pension Plan (for Canadians), and their equivalents for Brits, Australians, Germans, New Zealanders, and others provide income for non-expatriates. But without maximizing contributions to these plans, we can't fully open mouths to such morsels.

Most countries determine payments based on the amount of income employees earned coupled by the numbers of years they contributed to their home countries' respective social plans. Maximum Social Security payments for Americans, for example, exceeded \$28,000 a year in 2012.<sup>3</sup> Expats seeking such income from an insurance company would have to invest nearly half a million dollars in an annuity. Those retiring in 10 or 20 years would need a lot more. Inflation is greedy.

Other countries also pay cash benefits to contributors of their respective social systems. Here's a snapshot.

### Maximum Annual State Pension Payouts per Country

Country	Maximum Annual State Pension (Country Currency)	Maximum Annual State Pension (U.S. Dollars)
Germany	30,651 (euros)	39,374
United States	28,159 (U.S. dollars)	28,159
France	18,380 (euros)	23,612
Brazil	50,734 (Brazilian reals)	22,354
Australia	20,694 (Australian dollars)	18,862
Canada	12,295 (Canadian dollars)	11,704
United Kingdom	7,488 (British pounds)	11,174

Currencies converted: July 7, 2013.

SOURCE: Complementary and Private Pensions Database, “Private Pensions—OECD.” Accessed April 29, 2014. [www.oecd.org/finance/private-pensions/issaiopsoecdcomplementaryandprivatepensionsdatabase.htm](http://www.oecd.org/finance/private-pensions/issaiopsoecdcomplementaryandprivatepensionsdatabase.htm).

Departing your homeland for a long-term contract or overseas adventure can leave you hungry—especially if your adopted country doesn’t offer pensionable benefits. As a result, most expats need to save more and invest more effectively than their home-based contemporaries do.

Not all geriatric globe-trotters, however, get forced to a street corner with a busker’s banjo. According to HSBC Bank’s International Expat Explorer Survey, 68 percent of expats report saving more money than they could in their home countries.<sup>4</sup> So there’s hope for prosperity.

But hope on its own is a lousy strategy. You need a plan. Start by asking the following questions:

- How much money will I need to retire?
- How much should I be saving and investing each month?
- How am I going to invest?

This book provides a game plan to answer such questions, whether you’re aspiring to keep up with the Kardashians or live like a Buddhist monk.

One method to create or augment future retirement income is through the stock and bond markets. But many expats get rooked. Silver-tongued investment salespeople peddle dodgy products. Expats are easy targets.

Offshore investment schemes are often slippery pitfalls, rewarding financial advisors with massive commissions, hemorrhaging their clients' profits through high hidden fees and kickbacks. Many expat advisors sell them exclusively, locking unwary folks into 10-, 20-, even 25-year schemes.

Once an investor catches on to the fee-burdened riptide, it's often too late. Those scrambling out of the water face redemption penalties up to 80 percent of their accounts' proceeds. What's worse, many overseas employers welcome financial sharks into their company seal pools. With the best of intentions, they endorse offshore pension sellers, most of whom have a single purpose: reaping the highest possible commissions from unwary workers.

Whether you find a scrupulous financial advisor or manage your own investments, you should understand how the stock and bond markets work. I'll describe how money is made in the markets, answering many of the questions you may have been too embarrassed to ask. The stock market, you'll learn, represents a collection of real businesses. Investing in them doesn't have to be risky, time-consuming, or complicated—if you do it right.

I'll show how to spend just 90 minutes a year on your investments, while thumping the performance of most professional money managers. Best of all, you won't have to watch the stock market, follow the economy, or read the dull financial pages of the *Wall Street Journal*.

Sound too good to be true? It isn't. Use the Internet while reading this book. Doing so will allow you to verify my warnings about specific investment products. You'll find mountains of academic support for this book's investment strategies.

If you've invested poorly in the past, you have plenty of company. Dan Weil, writing for Moneynews.com, reported that a 20-year study by Chicago-based Dalbar proves most investors are like drowning ducks. While the average U.S. stock earned 384 percent (8.21 percent annually) between 1992 and 2012, the average American investor earned just 130 percent (4.25 percent annually) on stock market investments.<sup>5</sup>

Such poor investment performance might make the difference between eating cat food and caviar during retirement. I'll guide you toward something palatable.

Once you're armed with investment history and theory, the book's next sections get more specific. I'll show where you can open your investment account, while describing how to make your investment purchases.

As easy, however, as this investment strategy is, some people may still prefer an advisor. I profile some well-trained, ethical guides. Once you understand their philosophy, you'll know what to look for when picking an advisor.

Many people are also concerned with the practicalities of repatriating financial assets. Although this book doesn't cover such concepts, I continue to add articles and useful links pertaining to this subject for those of different nationalities at [www.andrewhallam.com](http://www.andrewhallam.com).

As an expatriate, you can live better, earn more, and provide for a generous retirement. But you'll need a plan. Fortunately, you're reading it.

## Notes

1. Andrew Bender, "Record Number of Americans Now Hold Passports," *Forbes*, January 30, 2012. Accessed April 29, 2014. [www.forbes.com/sites/andrewbender/2012/01/30/record-number-of-americans-now-hold-passports/](http://www.forbes.com/sites/andrewbender/2012/01/30/record-number-of-americans-now-hold-passports/).
2. "World Expat Population—The Numbers," Resources for Expats, International Moving Companies Moving Overseas, World Expat Population—The Numbers, Comments. Accessed April 29, 2014. [www.feedbacq.com/blog/world-expat-population-the-numbers/](http://www.feedbacq.com/blog/world-expat-population-the-numbers/).
3. "Private Pensions—OECD." Accessed April 29, 2014. [www.oecd.org/finance/private-pensions/issaioopsoecdcomplementaryandprivatepensionsdatabase.htm](http://www.oecd.org/finance/private-pensions/issaioopsoecdcomplementaryandprivatepensionsdatabase.htm).
4. "HSBC Bank International Expat Explorer Survey." Accessed April 29, 2014. [www.expatexplorer.hsbc.com/files/pdfs/overall-reports/2009/economics.pdf](http://www.expatexplorer.hsbc.com/files/pdfs/overall-reports/2009/economics.pdf).
5. Dan Weil, "Dalbar's Harvey: Individual Investors Brilliant at Mistiming Markets," *Moneynews.com*, March 11, 2013. Accessed May 12, 2014. [www.moneynews.com/InvestingAnalysis/Dalbar-Harvey-individual-investors/2013/03/11/id/494045/](http://www.moneynews.com/InvestingAnalysis/Dalbar-Harvey-individual-investors/2013/03/11/id/494045/).



The Global  
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