

Expatriate guide to the inevitable

Financial planning should not be taken lightly, especially not by expats



Finance

By Don Freeman

Expats must keep this in mind while considering the risk of their investments, as high returns can often mean higher risk of losses.

IT'S natural to experience culture shock as an expat, but the real shock comes when expats consider just how complicated proper investment or financial planning becomes after they expatriate from their home countries.

Here are some of the key areas expats will need to have a plan for and likely consult with knowledgeable experts about.

EXCHANGE RATE AND REMITTANCE

Expats whose income is largely

fixed and denominated in a currency different from that used in the country in which they are living need to have a plan for dealing with exchange rate fluctuations as well as transactional costs of having their money remitted to them.

In the worst case scenario, where the exchange rate makes a big and sustained movement not in the expats' favor, they may have to plan on making major cutbacks in living expenses or even return home.

INFLATION

For most expats in Phuket, their home country has low inflation and low interest rates.

However, emerging markets such as Thailand tend to have much higher rates of inflation that their incomes or investment returns will need to keep pace with.

Expats also need to keep in mind and plan for the likelihood that various social welfare entitlements such as unemployment compensation or disability from the home country probably won't cover them while living abroad. They may even need to re-establish residency back home in order to qualify.

EMERGENCIES

Expats need to tie up cash in a much bigger emergency cash fund than most would otherwise need back home.

This emergency cash fund should be large enough to cover things such as medical emergencies, where cash may be needed to pay upfront or to cover repatriation to the home country should the expat need to return home.

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unemployment compensation or disability, from the home country probably won't cover them while living abroad.

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TAX

Expats from countries that enforce worldwide taxation, such as the United States, or require their nationals to maintain

a residence in the home country, could face double taxation – unless there is a tax treaty in place.

Such expats need to consult a tax expert to find out which taxes they and their investments could be liable for, as investing in various offshore investments marketed to expats as a way to lower taxes may actually not make sense.

EDUCATION

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In the past five trading days, the index has lost 8.23 per cent. It is well below the expected 2015 price-earning ratio. Suffering the most were stocks in the energy, communications, banking, retail, property and food sectors.



Watching the stocks. Photo: Rafael Matsunaga



No one likes to talk about the inevitable, but planning for it is crucial, especially if family is involved. Photo: Eric Ward

Expats with children will need to have a plan for how to pay for their children's education costs, including international school fees and possibly even for university.

Even if the employer is currently footing the bill for most international school fees, such parents better have a backup plan in the event they don't always have an employer willing to do so in the future.

HEALTH CARE

The older expats get, the harder and more expensive it is for them to get good expat health insurance coverage, and the home country's retirement health care scheme will likely not cover them while abroad.

They may need to plan on returning home after a certain age

or if their health deteriorates to a certain level.

RETIREMENT

Expats working abroad might be paying into their adopted country's government sponsored retirement program and still be eligible for a pension back home if there is an appropriate tax treaty.

If not, they will need to plan on saving and investing a considerable amount of extra money for retirement.

DEATH

No one likes to talk about the inevitable, but planning for the inevitable becomes much more complicated if assets or family members need to be provided for. This includes those in both the

expat's adopted country and back in their home country.

If the expat's financial and family situation is complicated, he or she had better find an expert lawyer in estate planning back home and in the country where he or she is currently living.

At the very least, they should make sure they have a written will and appropriate power of attorney documents kept in a safe place.

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Stock Exchange of Thailand goes on a rollercoaster ride

THAI shares plummeted nearly 9 per cent at one point on Monday, more than any regional bourses which are also suffering from low oil prices.

The exchange is unlikely to launch any measure to stem the heavy loss today.

"We will need to monitor the market closely, but I don't think we need any measures yet," said Kesara Manuchusree, president of the Stock Exchange of Thailand (SET) at a press conference.

At 2:33pm, the SET index lost 54.79 points or 3.62 per cent, to 1,460.16 points. It was last seen below 1,460 in June. On June 12, the index stood at 1,457 points.

It slid fast minutes later. At 3:27pm, the index lost 129.87 points or 8.57 per cent.

At 3:31pm, the loss widened to 135.64 points or 8.95 per cent.

At 3:39pm, the buying spree narrowed

the loss to 85.56 points or 5.65 per cent. Turnover has so far reached 76.7 billion baht.

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The slide in Asian markets comes after a

crash in oil prices dragged US stocks to one of their worst losses of the year last Friday.

The Dow Jones Industrial Average fell 1.79 per cent and the S&P 500 tumbled 1.62 per cent.

It was the S&P 500's first weekly loss in nearly two months and its worst single-week decline – 3.5 per cent – since May 2012.

Lower oil prices benefit consumers, but traders have been unnerved by the speed of the free-fall in crude prices, which could

put projects on hold in the oil sector and hurt energy companies and banks.

In Thailand, the banking and energy sectors constitute more than one fourth of the exchange's market capitalization.

"LTF and window dressing are now the last hopes," said Asia Plus Securities in its research note. "The market slump should encourage more investment into LTF and window dressing at the end of the year should also be more active. In eight of the past 10 years, SET index gained average 2.6 per cent in the past two weeks of the year."

Technically, the index can dive further to 1,438 points, the securities house said.

This week, the US Federal Open Market Committee and Bank of Thailand will convene on policy rates. The Thai central bank is expected to cut the policy rate by 0.25 percentage point. – The Nation