
The View from Costa Rica

By Kerry Pechter *Thu, Jan 12, 2017*

By visiting Costa Rica and interviewing retirement experts there, I hope to gather a few facts that might help me and RIJ readers understand our domestic retirement financing dilemma more clearly.



If people could travel backwards in time by traveling a long distance on earth, a lot more Americans would certainly retire abroad. But time travel, like Shangri-La and Ponce de Leon's Fountain of Youth, exists only in fiction. That may explain why so many people who do retire abroad eventually return to the U.S.

Next week I'll travel to Costa Rica, the balmy Central American republic. Geographically, it lies between Nicaragua in the north and Panama to the south. Economically, it lies somewhere between the first and third worlds. Its beaches, rain forests, waterfalls and volcanic peaks make it a magnet for millions of tourists and quite a few retirees.

Retirement Income Journal will appear in your email inbox as usual. But it will originate in San Jose, Costa Rica, where I've booked an Airbnb and arranged interviews with economists, bankers, and pension administrators. My goals over the next several weeks are:

- To learn more about the various retirement savings programs in Costa Rica. These include a basic pension, a mandatory defined contribution plan, and an assortment of voluntary or occupational pensions. I plan to compare-and-contrast their system with ours.
- To talk to Costa Ricans themselves about their own experiences in retirement. Like people in other countries, Costa Rica's population (about 4.5 million) is aging and its ratio of retirees to active workers is rising. Like many American workers, many Costa Ricans aren't covered by a workplace retirement savings plan. Many of its DB pensions are underfunded.
- To engage with the expatriate population and answer the questions: Is retiring to Costa Rica a practical alternative for Americans who are looking for a) a warm, relaxed place to enhance their longevity and/or b) the prospect of a better standard of living than their savings can provide in the U.S.?

In the near future—or maybe as soon as the next few months—the U.S. may enter another

painful and divisive round of debate about the finances of our Social Security system. During the last round, in 2004, the debate ended in a stalemate between those who wanted to cut benefits and those who wanted to raise taxes.

After the next round of debate on Social Security, action is more likely, if only because the Republicans will control the legislative and executive branches of government for at least two years. (Action on retirement issues might be crowded out by health care reform and tax reform, however.) In any case, I hope that the outcome is driven by common sense and not by ideology.

At times like this, our belief in (North) American exceptionalism can prevent us from inquiring into and learning from the successes or mistakes of other nations. But inquiry and education is on my agenda in Costa Rica. I hope to gather a few facts that might help me and *RIJ* readers understand our domestic retirement financing dilemma more clearly.

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