

Retiring in France

By Rod Fraser



PAUL TERHORST, AND his wife Vicki, retired at the tender age of 35, in the mid-1980s, with approximately \$500,000 in net worth. In his book, *Cashing in on the American Dream: How to Retire at 35*, published in 1988, Terhorst explained that the stress inherent in his job was excessive and likely to ruin his health, his marriage, or both.

So rather than spend the next three decades on the treadmill, he and Vicki cashed out, disposed of their real estate assets and have lived on the investment income from their initial investment capital for the past thirty years.

When I last caught up with the Terhorsts, they

had a low-budget website, had reached the age of retirement, and had never gone back to work. They were still living their itinerant lifestyle, flitting from Thailand, to Argentina to France to the United States (or wherever) as exchange rates, the cost of living or the whim took them. They expected to continue in this vein for as long as their good health permitted.

Paul Terhorst confided that their initial net worth, which was invested in GICs in the 1980s, had over the years been invested in the stock market as interest rates declined. It currently stands at a little over \$1 million, as a result of prudent investment management and a long, bull market which has been kind to them, and many others who retired in recent decades.

I FIRST READ Paul Terhorst's book in the early 1990s, when I reviewed it for the *Bottom Line*, a financial magazine in Canada that has sadly ceased publication. Paul and his wife, Vicki, still try to spend time in France each year, where their cost of living varies from \$85 to \$100 a day (\$75 in other less expensive parts of the world). This article draws on their experience to offer some suggestions for those who might like to spend their retirement years in whole or in part, outside of Canada (or in the case of the Terhorsts, the United States).

I hesitate to be too definite about these costs, or their current lifestyle, as my information was taken from their website some years ago. But it will still give you an idea of their unusual lifestyle, and the possibilities of living inexpensively abroad.

The Terhorsts report that they "read, go to parties, talk with friends, linger over coffee, take walks ... play the sax, watch TV and go to plays". It's easy to like a couple, who confide that their "third largest expense in life is the cost of espresso sipped and savoured in charming cafes."

They live frugally, skipping such amenities as air conditioning or cabs. They don't own a home, or a car, and by alternating stays in high-priced cities, such as Paris, with lodgings in cheaper countries, they manage to live within their means. They walk a lot and this has helped with their health and physical fitness.

TERHORST CLAIMS THAT he and Vicki travel as tourists, if at all possible, rather than going through the requirements for residency permits. In France, this is not as easy as it once was. If you enter France using a Canadian passport, you are entitled to remain in the country for only ninety days (or for six months in the U.K.).

In the distant past, travelers often went to a

neighbouring country before the ninety day period expired to have their passport stamped, spent the day as tourists, enjoyed a nice lunch, and then returned to France for a further ninety day period. This is no longer possible. You are only permitted to stay 90 days in France (or in any of the other EU countries) in any one 180 day period.

If you overstay your time as a tourist and are found out, you may be fined and deported. This hasn't been a problem for Terhorst, since he observes the rules, has few, if any, assets in France, and he doesn't mind moving. Other perpetual travellers tell me they visit the U.K. for three months or so, then return to France to keep in compliance with the rules.

This might make things difficult for those who wish to own a home in France, have significant assets in the country or who are simply more cautious. In this case, you should apply for a residency permit, which you normally do as part of your initial visa application.

KEEP IN MIND: the longer you stay in France, the more you will be tied into their tax system. Individuals who sojourn in France for a significant part of any year may be subject to income tax on their world income (unless there are extenuating

circumstances). Of course, the specifics of this are beyond my expertise, so you should be careful to obtain professional advice.

If you are also resident in Canada, a tax treaty exists between Canada and France to prevent individuals from paying income tax twice on the same income—provided you file your taxes in both countries and claim the allowed credit.

As you might imagine, this can get complicated, so Paul Terhorst, as with all American citizens, files income tax returns in the United States and travels the world as a tourist. In one of his online newsletters, he reported it was convenient to have an address in the United States for this purpose.

And in so doing, he advised those—who ask relatives in the United States to provide an address—to make it a trouble-free favour. He suggested buying an attractive wooden box and asking those collecting your mail to drop it unopened in the box. Whereupon you would visit once a year to sort it. Credit card bills, investment and banking statements and the like should be monitored online to keep the mail to a minimum.

On the rare occasion when something is required, simply send an email and ask for the particular document. Try not to be a nuisance.

ANOTHER ISSUE TO consider if you plan an extended sojourn in France is longer-term health insurance. To obtain a residence permit in France, you have to prove that you have adequate health insurance. Since the Terhorsts self-insure for health care, it is unlikely they qualified for residence status.

Paul Terhorst's most important contact information is his email address. He has a laptop computer and receives about 30 emails a day. This enables him and Vicki to make arrangements for travel, to meet friends, manage their investments, remain in contact with family and keep their costs of communication to a minimum.

Terhorst and his wife arrange to meet friends in cafes virtually every day. Espresso costs about \$4, or about \$240 a month for two, this being their third largest expense after rent and food. For exercise, they walk and climb stairs, particularly at their rental unit in Paris (four stories up) and often at subway stations.

Transportation is largely by bus or subway, although the Terhorsts report that they walk about half the time. A monthly transport pass (reasonable in cost) allows unlimited use of Paris' public transit. They eat in restaurants once or twice a week, and using a two-burner hotplate and toaster oven, they

invite friends to dinner at their rental unit every week or so.

In order to obtain cash, Terhorst uses a debit card to draw on his money from investment or bank accounts in the United States. In this manner, he receives the local currency he needs and the exchange rate is usually fair. For paying local bills, he maintains a modest bank account near his apartment in Paris.

Vicki describes their life together in this manner, "every year gets easier and better." Paul Terhorst explains: "if you can simplify your life, sell real estate, get rid of vehicles, live without lots of stuff, and if you like the freedom of email and the Internet, the assets you have can provide a pool of investment capital for a low-cost retirement in your favourite place."

I SHOULD LEAVE this article with a caution. In recent years, many people have been moving to Europe illegally. To avoid legal problems, you should take every care to inform yourself of current rules before you visit France on an extended trip.

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