

IS RETIRING TO THE SUN STILL POSSIBLE?

Or has Brexit dashed the dream?

Some of us have had enough of the inclement weather in the UK, and dream of retiring somewhere warm and sunny.

We often talk about it for years, fed up with the same old routine, the same journey to work, the same things at work, and a desire to do something different.

Retiring with your feet up beside the pool and escaping our dark winter months in the UK has been a goal for thousands of people over the years.

Living costs can be cheaper outside of the UK, while property costs are usually much lower than the inflated domestic market.

Throw in a welcoming climate and the possibility of a thriving expat community of retirees and you can see why this way of life is desirable.

Many people's retirement dreams of living in destinations like France, Italy, Spain or Portugal are fuelled by TV programmes like *A Place in the Sun* or *Escape to the Chateau*.

But in order to make it a reality, you should have a safety net in the form of owning a UK property and you should be financially self-sufficient.

You must ensure your pension income is more than adequate to fund your retirement plans outside of the UK. You also need to weigh up what you might be giving up in the form of state benefits and the NHS.

MIGRATION BOOM, BUST & FUTURE

Back in the 1990s and 2000s, thousands of people migrated south. At one point in 2005, more than 2,000 Britons a week migrated abroad, according to Saga.

This created large expat communities in places like Portugal's Algarve and the Dordogne in France as the figure grew from about 4.1 million in 1990 to 5.5m in 2017.

Housing equity windfalls and favourable exchange rates, not to mention the UK being part of the EU, made finding a home in Europe a very realistic proposition.

The global financial crisis of 2007/08 took the shine off of this migration boom, when property became a less certain bet and some people ended up in negative equity.

But the real game-changer in recent years has been Brexit. British citizens currently residing in the EU had to apply for residency in their country of choice.

With COVID-19 restrictions over the last 20 months adding to expats' anxiety levels, some have elected to return to the UK amid healthcare and money fears.

Online resource Experts for Expats said that following the 2016 Brexit referendum, it received a spike in inquiries from expats, many of whom were running out of money.

With rising inflation and house prices remaining high in the UK, plenty of expats who might like to return to the UK could be priced out from buying a property here.

It's not all doom and gloom, though.

More Britons than ever before decided to make Portugal their permanent home last year, with 2020 seeing a 34% rise in those living there, according to the latest data from the country's borders and immigration service.

Now that we have left the EU, UK buyers in Portugal qualify for a 'golden visa', which allows visa-free travel throughout Europe. Coupled with Portugal's non-habitual resident tax scheme, which offers foreigners low income tax rates for those able to spend at least half the year there, this is thought to have prompted more UK residents to make the move.

In Greece, draft legislation has been submitted to parliament offering a ten-year tax break that would see foreign retirees pay a flat rate of income tax at 7%.

WHAT'S CHANGED?

Now the EU views the UK as a 'third country', in some cases it's still possible to apply for residency in an EU country despite Brexit and COVID-19 restrictions.

However, there are financial implications for Britons living in the EU or those who plan to live, work or retire there. Chiefly, the pound-euro exchange rate means pension income simply doesn't go as far as it used to.

People who retire in the sun can continue to claim their state pensions after moving abroad, while the triple-lock formula (temporarily reduced to a double-lock for 2022/23) will continue to uprate their state pension payments unless you live in Australia, Canada, New Zealand or South Africa.

Any UK citizens retiring to the sun now can no longer come and go as they please following the UK's exit from the EU earlier this year. You can, however, spend up to three months of every six in the country you reside in.

In Spain, for example, an individual needs to show proof that they have at least £2,000 a month coming into their bank account. For families, an extra £500 a month per family member is required to live in Spain.

UK driving licences also need to be changed to Spanish ones.

TAX CONSIDERATIONS

Complex UK tax rules over residence and domicile may kick in if you retire to the sun, in which case careful tax planning is vital.

If you move abroad for good, your income tax liability usually comes with you. However, you might still have to pay UK tax on investment growth or rental profits.

Similar to the UK, you need to declare your worldwide income to the tax authorities in your new home, even if some of it originates in the UK. This usually applies to any pension income you receive in the tax year.

Also bear in mind that tax wrappers like cash ISAs and NS&I are not sheltered outside of the UK. Most countries have their own equivalent savings vehicles, however.

Double tax relief is available where the income is taxable in both countries, as the UK has double-taxation agreements with dozens of countries including France, Spain and Australia.

GET THE PENSION YOU NEED

Obtaining independent financial advice can make the most of your pension pot, helping you to fund the lifestyle you desire.

Usually, it's best to start by looking at how much is in your pot and ensuring it is invested on the stock market to deliver growth. As ever, the longer it's invested, the more potential for it to grow.

You can bring your current pension arrangements to us for an objective view of the amount of retirement income you can realistically expect to receive.

If your pension pot won't be enough to fund a retirement in the sun, we can advise you on making extra investment to help you build additional wealth for the future.

We are happy to discuss pension plans and to potentially review and rebalance your existing investments to take advantage of the post-pandemic stock market recovery. Having a broad base will help protect you against any further volatility.

📩 [Get in touch for an objective pension review.](#)

IMPORTANT INFORMATION

The way in which tax charges (or tax relief) are applied depends on individual circumstances and may be subject to future change.

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