Retiring abroad

Important issues if retiring abroad

Canada is a wonderful country, but there seem to be two things Canadians don't mind giving up – our high taxes and low temperatures. Which is why many thousands of Canadians retire abroad, largely to Florida and Arizona, the most popular retirement destination for Canadians.

Temperatures are higher and taxes are lower in the U.S. but if your primary goal is to achieve lowest taxes, you can do better. There are many countries around the world that want your money and are willing to offer you significant tax concessions to get it.

But if you want to maximize any tax advantages that may be available to you, you'll have to make some major decisions. And most of those decisions concern residency.

Residency can be a taxing question

If you are a non-resident of Canada, you do not have to pay Canadian tax on your income (unless you earned it in Canada). And if you are going to be retiring abroad, you may be wise to establish your status as a non-resident before you file your last tax return in Canada.

But non-residency is not a simple thing and it is determined by the government on a case-by-case basis. Even if you become a legal resident of your new country, that does not automatically make you a non-resident of Canada.

Residency ties are based on such things as houses and cottages, bank accounts, spouses and dependents, credit cards, driver's licenses, health-plan memberships, club or professional memberships and finally, time spent in Canada.

Although you may be a non-resident, you're still eligible to receive CPP/QPP and OAS benefits. However, there would be a 25% withholding tax on this and other "passive" income such as annuity payments or pension payments from private plans. Some countries have tax treaties with Canada in which case this tax could be reduced or waived.

And you should know that you can become a non-resident but still remain a citizen. In fact, if the laws of your new country permit dual-citizenship, you can become a citizen of your new country while retaining Canadian citizenship because Canadian law permits a Canadian to have more than one nationality.

Whatever your reason for wanting to leave Canada – weather, taxes, renewing family ties – there are many other important issues you should consider, healthcare being one of the most critical. Others include estate planning, housing, cost of living, culture, society, government and language to name a few.

Simply stated, retiring abroad raises a host of questions, many of a tax and legal nature. So before you make too many plans, you would be wise to seek professional advice. If you'd like to speak to someone who has experience dealing with these issues, click here to find the CPA financial planning professional closest to you.