
EXECUTIVE SUMMARY

In recent years a steadily growing stream of Americans has been heading south to Latin America, particularly for retirement. And as the baby boom generation ages, that stream is expected to gain speed. It will be carried along by rising medical costs, a reduced ability to rely on Social Security and pensions, and cheaper transportation and communications technology. A growing body of literature examines international retirement migration, but comparatively little is known about Americans who have retired to Latin America, particularly outside Mexico; why or how they decided to retire there; and what their experiences are in their new communities.

The Migration Policy Institute (MPI) sought to add to this literature by investigating the US retiree population abroad and examining retirees' experiences. It focused on two countries—Mexico and Panama—that have exhibited dramatic growth in their US retiree populations in recent years. The Institute analyzed Mexican and Panamanian census and administrative data to determine the size and demographic characteristics of American seniors living there. It also conducted 17 interviews and nine focus groups with US retirees and key informants in these two countries, exploring the decision-making process retirees use to move abroad, their integration experiences in new communities, and their perceived social and economic impacts on local people.

The following seven key themes emerge from this analysis:

- **The size of the US-born senior population (those aged 55 or older) grew substantially in both Mexico and Panama between 1990 and 2000, and data suggest that these flows continue to increase rapidly.*** According to census figures, Mexico saw the number of US-born senior residents increase by 17 percent, while Panama saw a 136 percent increase during this period. In Mexico, where more geographically specific information is available, some of the municipalities with the fastest growth of this population were established expatriate retiree communities: Chapala (increase of 581.4 percent), Los Cabos (308.3 percent), and San Miguel de Allende (47.7 percent). At sites in both Panama and Mexico, real estate agents, developers, attorneys, and insurance brokers pointed out repeatedly that this growth had continued locally in the post-2000 years, reaching what one called a “frenzy” in Panama. Visa statistics from

* We define the term “senior” in two main ways in this report. With regard to our quantitative analysis, “senior” means those aged 55 or older. When used in the description of our qualitative research, senior refers to self-defined retirees participating in focus groups, even though some participants may not have been 55 years old.

Panama, likely to capture only a subset of people who live there part- or year-round, showed that the number of US citizens obtaining pensioner visas more than tripled between 2003 and 2005.

- **US retirees bring human and financial capital to their new communities. Analysis in Mexico indicates that the amount of this capital is substantial.** Mexican census data on US-born seniors indicate they are more likely to have advanced degrees and higher incomes, including retirement benefits, than Mexican-born seniors, particularly in states with known retirement communities. For example, while only 3.4 percent of Mexican seniors have a university degree, 38.8 percent of the US-born in Jalisco (state of Lake Chapala), 28.0 percent in Guanajuato (state of San Miguel de Allende), and 27.6 percent in Baja California Sur (state of Los Cabos) hold this credential. In contrast to the median total monthly income of \$133 that Mexican seniors receive, US-born seniors nationwide received \$477, about three and a half times that of Mexicans. Additionally, US-born seniors in some states received much more, such as in Jalisco, where the median monthly income was \$955.
- **State policies, both of the United States and destination countries, can promote or deter retirement migration.** In both Mexico and Panama, the national governments have taken a proactive approach to encourage retirement migration by creating special visa categories for foreign pensioners. While retirees often choose retirement destinations based on inherent characteristics of a place—climate or local culture, etc.—focus group respondents in both countries also indicated that visa, tax, and property policies had been important in their decision to move. Retirees also indicated other destination country policies, such as Panama’s use of the stable US dollar as its currency, had an impact on their choices. Some US retirees indicated that American policies had pushed them to move abroad, citing health policies that have not contained medical care expenses and post-9/11 policies that have curtailed civil liberties.
- **Economic factors appeared to weigh heavily on retirees’ decisions to move, both in the consideration of destination countries and in the initial decision to leave the United States.** Many retirees mentioned the lower cost of living as a key factor influencing their decision to retire in their country of settlement. Some also mentioned specific policies—such as low property taxes—as particularly attractive and thus influential in their moves. In Panama, where the government has instituted a wide range of discounts on airfare, restaurant meals, and other purchases by retirees, focus group respondents often said they had been both aware of and attracted to this offer when they were deciding where to retire. Some retirees noted that they could no longer afford health care or were not eligible for health insurance in the United States, which prompted their moves. These findings challenge the literature’s depiction of retirees abroad as “amenity-seeking” migrants, indicating that they may also move for more basic needs.
- **Retirees seek information about potential destination countries from a wide range of sources, particularly the Internet, and a sizable share considers multiple—and far-flung—retirement countries.** Focus groups with retirees in both Mexico and Panama indicate that many used the Internet as a tool to explore possibilities for retirement abroad. And while some retirees, particularly those in Mexico, considered only one or

a few countries as retirement options, many considered multiple countries across continents. Their wide net—which encompassed countries such as Thailand, New Zealand, South Africa, and Malta—hints at the impact of globalization and technology advancements on retirement migration and may signal a growing trend toward multiple moves during retirement, as retirees “shop around” for the best conditions.

- **The degree to which retirees integrate in host countries varies by person and over time, and many retirees cite language as the primary challenge in adapting to their new communities.** Focus group findings echo earlier studies examining integration of foreign retirees into local communities. Respondents in Mexico and Panama varied in the degree to which they participated in local community organizations and lived in integrated neighborhoods with local people. Some retirees in San Miguel de Allende noted a trend toward the formation of retiree “enclaves.” By and large, focus group respondents did not speak Spanish very well, though many indicated they had taken lessons either in the United States or upon moving. Many retirees identified the lack of Spanish as a barrier to establishing local relationships and navigating government or official processes. Retirees did, however, cite strong support networks within the expatriate community itself.
- **Many retirees create jobs and opportunities for local people; they also drive up the costs of real estate significantly.** In all focus groups, respondents referred frequently to the number of people they hired, such as construction workers, home nurses, or maids. In addition, many retirees (particularly in San Miguel de Allende) perceived that their community involvement as volunteers and philanthropists had a significant economic and social impact on local people. But while many retirees noted the positive impacts that migration brought to new communities, each focus group highlighted the drawbacks for local people, primarily through increasing real estate costs. In all sites, respondents observed that the rise in housing prices had put pressure on local residents. In San Miguel de Allende, which had the most established retiree community of the focus group sites, participants said local people were moving to the periphery of the town, changing the demographic characteristics of the historic city center.

