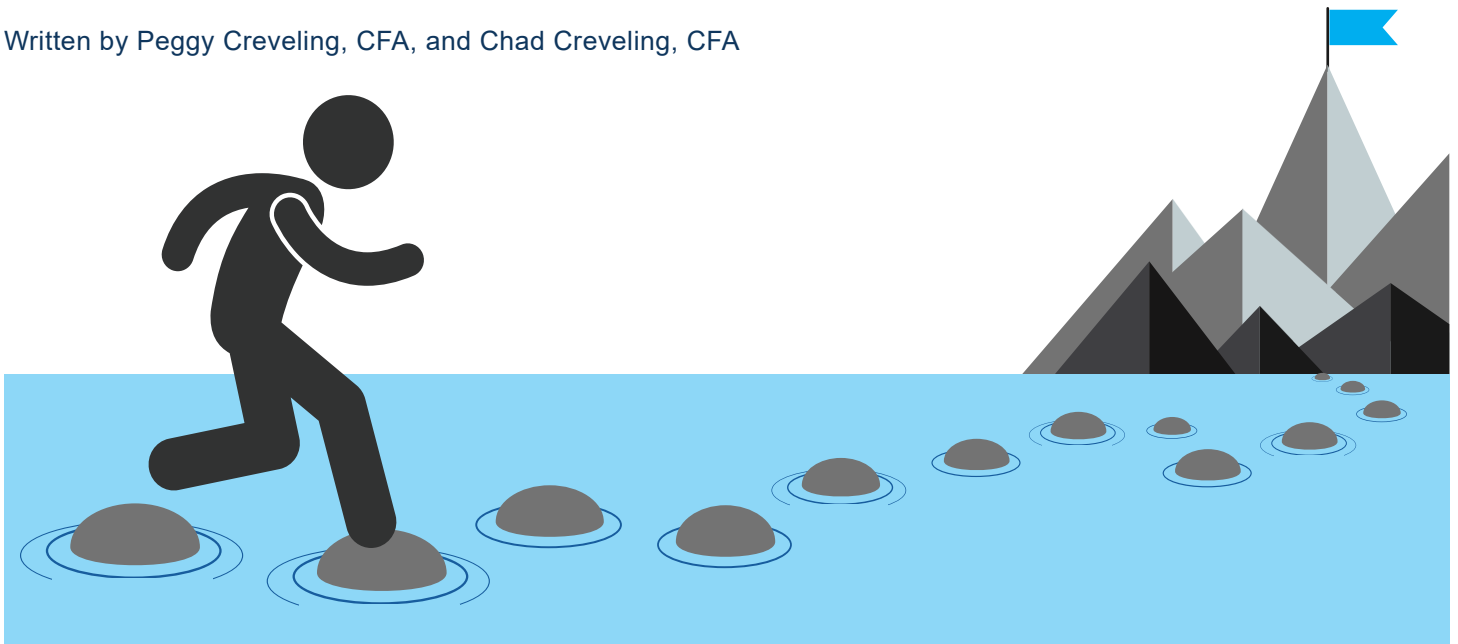


# Expatriate Financial Planning: Short-Term Stepping Stones Help Achieve Long-Term Goals

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If you go to the airport with no tickets and no idea where you want to go, it goes without saying that you probably won't be going anywhere. This sounds obvious, yet that is exactly what some expats are effectively doing with their finances—by failing to plan, effectively they're planning to fail. Therefore, one of the most important steps in getting control of your finances is to draw up an initial financial plan. This includes a financial starting point, a set of long-term financial goals that you'd like to achieve, and short-term "stepping stones" to help you along the way.

## What's Your Starting Point?

For many of us living overseas, knowing the status of our finances may be easier said than done. Accounts are often strewn about the world in different currencies, and many overseas financial institutions don't issue regular statements. Yet it's vitally important to get a solid grasp of your assets, your liabilities, how much income you have, and how much you're spending. These are the basic financial details that any successful company must have, and this information is similarly essential for you to make good decisions about your finances.

To get a handle on your starting point, get all your financial information together: savings, investments, pensions, credit cards, loans, insurance. Dig out statements for every account you have, including those stray accounts that you may have left open in a country where you used to live. If you don't have current records, make a note to get ahold of up-to-date statements for each account. Once you have all your records together, choose a base currency that you normally think of as your reference currency, and translate each statement into that currency using current exchange rates. Then construct the following statements using a spreadsheet or personal finance software that has multicurrency capability such as Quicken:

- **Net worth:** Using the same currency, list and total all your assets and all your liabilities. The difference between the two is your net worth.
- **Income statement:** Add up all household income, including salary net of tax, dividends, interest, and any other cash inflows such as net rental income.

- **Expense statement:** Total all expenses, including basic living expenses, children's education, travel, and discretionary spending such as dining out and gifts. If you aren't sure on some items, look for clues on credit card statements, checking accounts, and cash withdrawals from bank accounts.
- **Net income:** The difference between your household income and expenses is your net income. You can calculate this on a monthly basis and sum it up to get your net income for a year. If you're not yet retired, then hopefully this is a positive number!

This exercise may take some time to complete, but it's extremely important to do if you're going to get control of your expat household finances. The result of your efforts will be satisfying—not only will your finances be more organized, but you'll also have something few expats manage to achieve: an accurate snapshot of your current household financial position.

## Where Do You Want to End Up?

This next step is likely to be more fun than the previous one. Now you can start outlining your long-term financial goals—where you want to go with your money. Financial goals should be specific and answer questions like who, what, when, and where. Here are some examples of what long-term financial goals might look like:

- By age 65, Eric wants to retire in a tropical location and enjoy a lifestyle with living and travel expenses similar to his current lifestyle.
- Beth wants to purchase and live in a two-bedroom condo near the beach in Costa Rica.
- Jack and Diane want to send their two kids to four years of private university in Boston.
- Bob wants to buy a sailboat within the next five years.

At this stage, don't be too concerned about whether all your goals are achievable. Just get some ideas down on paper. Prioritize what's most important to you or, if you are married, to the two of you. As you begin to solidify your goals, write them down, and plan to review and update them periodically. Over time, your priorities may change or the goals themselves may change. But you'll have a chance of getting to your destination only if you agree on where you want to go now and begin organizing your finances so that you can get there.

## Draw Up Short-Term Goals to Act as Stepping Stones

Once you have an idea where you're heading, the next step is to draw up short-term goals that act as stepping stones to help get you there.

One short-term goal needs to be to maintain an emergency cash reserve. Depending on your situation, your cash reserves should cover, at a minimum, several months of living expenses or possibly more. Besides an emergency reserve, other examples of short-term goals could be:

- Set a monthly savings target of X amount to fund your retirement goal and invest [it in an appropriate, low-cost diversified portfolio](#) in a [low-cost custodian in an appropriate tax jurisdiction](#) for your situation.
- Track current living expense spending using a spreadsheet or a multicurrency program like Quicken to get a clear idea of how much is being spent and [to look for possible areas of additional savings](#).
- Budget and plan expenses for your next vacation, and try to stick to the budget as much as possible.
- Research how much a potential future home costs today, such as the two-bedroom condo in Costa Rica listed in the sample goals above. Make some assumptions about [how much that future home might cost](#) when you retire and how you would finance the purchase.
- Plan a longer vacation in a place you may wish to retire to see how much you really like it there.
- Research how much the private university college costs today and what it might cost when the kids are ready to attend. Look into college scholarships for which they might qualify. Make use of [tax-advantaged college savings accounts](#) where possible.

## Keep Going on Your Path to Financial Success

If you've been able to accomplish the above steps, you've made a great start in getting control of your finances. Going forward, it may require some discipline to achieve the nearer-term, stepping-stone goals that you've identified, but as you do, you'll find you've made a material difference in your ability to achieve financial security over the long run.

*This article is a revised and updated version of one that had appeared previously on [www.crevelingandcreveling.com](http://www.crevelingandcreveling.com).*

### Additional Resources

[Expatriate Financial Planning: Overcome Mental Roadblocks and Get Started Saving](#)

[Expatriate Investment Advice: Seven Things Expats Need to Know About Investing](#)

[5 Questions Expats Should Ask Before Choosing an Offshore Custodian](#)

[7 Things to Consider Before Buying Overseas Property](#)

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