

Paradise Post

News From Ojochal, Costa Ballena,
Costa Rica and Beyond

January 2013



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Updates from the Osa

Lots going on in our neck of the woods. Thank you to Shelagh at Royal Palm Interiors for the updates. Be sure to check out her lovely home goods shop, Royal Palm Interiors, now offering custom blinds and window coverings.

Ojochal just had their much anticipated culinary festival "El Sabor de Ojochal" elevating the town's reputation as a foodies paradise. 14 local restaurants participated.

This past month local "Santa's Helpers" delivered much appreciated goods to needy families in the area. Items are collected throughout the year and you can see the Pickle Ladies at the Uvita Famer's Market to contribute.

Roadhouse 169 has opened a billiard hall and will be hosting a Super Bowl party February 3rd to benefit DAWG (Domestic Animal Welfare Group). They'll also be hosting an 8 Ball tournament February 17th to benefit "Fojando Alas" the kids center in Uvita.

There are two festivals coming up, The Best Fest (see page 4) and the Envision Festival in Uvita February 27-March 3rd which will include workshops, performance art and music. You can see more info here:

<http://www.2013.envisionfestival.com/>

In February the Costa Ballena Woman's Network is planning a trip to the new Spheres museum in Palmar Sur and a trip on the Sierpe river.

The Buena Vista hotel has new owners and has been renamed Alma de Ojochal. They will also be opening a Mexican restaurant with an Oaxacan flare "Verde" by the end of the month.

Pacific Lots' clients, Daniel and Chayapat "Cha Cha" have relocated from Alaska and opened a Thai Restaurant and Cha Cha is also offering Thai massages.

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Dramatic Increase in Construction

2013 is expected to show a strong increase in construction within Costa Rica, particularly in the province of Puntarenas which includes Ojochal and Chonatales. The Costa Rican Chamber of Construction (CCC) is predicting a 23.3% growth in housing construction.

By province building permits are up 43.6% (Puntarenas), 25.3% (Heredia), 24.9% (Limon), 20.8% (Guanacaste), and 6.8% (San Jose). Cartago and Alajuela showed decreases.

Tourism Expected to Increase

The Costa Rican Tourism Institute (ICT) will spend more money this coming year on marketing, \$17 million. Allen Flores, Tourism Minister, said that expectations are that Costa Rica will exceed more than 2 million tourist arrivals and anticipates that the new Convention Center, which is planned to open this year, will give the tourism figures an additional boost. Currently 50% of visitors come from the U.S. and Canada and Costa Rica is actively soliciting airlines from other regions. The figures for 2012 were not yet available.

Violence Against Women Declining

INAMU (National Women's Institute) in Costa Rica recently announced that violence against women dropped by 65% in 2012 over the previous year. President Chinchilla stressed that although this was terrific news there is still more to be done to protect women from abuse.



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Doing Business in Costa Rica

The World Bank's 2013 "Doing Business" index raised Costa Rica's rank 12 levels from 122nd in 2012 to 110th in 2013. The index averages each country's ranking on 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

Costa Rica's largest improvements were in the areas of dealing with construction permits (change in rank +11), getting credit (change in rank +14), paying taxes (change in rank +10) and trading across borders (change in rank +11). You can read more here: <http://www.doingbusiness.org/rankings>

Corruption in Central America

According to the 2012 Corruption Perceptions Index published by Transparency International, Costa Rica is the least corrupt country in Central America. The country ranked 48th out of 176 countries worldwide with a score of 54 (with 100 being perfect). Costa Rica moved up 2 spots from a ranking of 50th in 2011.

Guatemala ranked #113 with a score of 33. Honduras ranked #133 with a score of 28. El Salvador tied with Panama at #83 each with scores of 38. Nicaragua ranked #130 with a score of #29. Belize was not included in the study. The U.S. ranks 19th with a score of 73.

First Launched in 1995, the Corruption Perceptions Index has been widely credited with putting the issue of corruption on the international policy agenda.

You can find more information here:

<http://www.transparency.org/>

Costa Rica's Exports Exceed 2012 Projections

According to the Ministry of Foreign Trade (COMEX) Costa Rica's exports this past year grew almost 9% over 2011. The growth rate is 6 times the average growth of exports from Latin America. Jorge Sequeira, General Manager of PROCOMER (Foreign Trade Corporation of Costa Rica) stated "the figures for total goods exported were achieved by diversifying products, target markets and export companies..."

The top exports are; microprocessor electronics (19.9%), pineapple and bananas, infusion and transfusion sera, and coffee.

The U.S. remains the top importer of Costa Rican goods at 39.2% (increasing by 10.2% over 2011).

Growth of some products by Sector (in millions of U.S. \$)			
Sector	2011	2012	Cumulative Change
Manufacturing			
Electronic Components	1898.7	2247.6	18.4%
Medical Devices	269.7	406.4	50.7%
Power Cables	217.2	282.4	30.0%
Agricultural			
Pineapple	717.0	789.4	10.1%
Gold Coffee	372.6	411.4	10.4%
Ornamentals	80.3	83.2	3.7%
Food			
Other Food	291.5	314.7	8.0%
Palm Oil	202.9	223.2	10.0%
Fruit Juices	170.7	195.0	14.2%
Livestock and Fisheries			
Fish	54.7	73.8	35.0%
Milk	60.1	70.9	17.9%
Beef	48.4	51.3	5.8%

Costa Rica; a Top Outsourcing Destination

Tholons, a leading global consulting firm, has named Costa Rica one of the top outsourcing destinations in the world with the country ranking 13th worldwide and 1st in Latin America. Costa Rica was the biggest gainer raising 5 points in rank from #18 in 2012 to #13 in 2013 followed by Malaysia, Uruguay and Columbia. The biggest declines were found in Brazil, Argentina, Russia and Egypt.

The report stated that San José, Costa Rica, continues to be one of the most impressive destinations in the region. A significant catalyst has been the sustained government attributed to CINDE (The Costa Rican Investment Promotion Agency) in promoting the local IT-BPO (Information Technology and Business Process Outsourcing) sector. Worldwide the most attractive countries to invest in for outsourcing are India, the Philippines, Ireland, Poland and China.

Tholons is a leading full-service Strategic Advisory firm for Global Outsourcing and Investments. You can find more information here:

http://www.cuti.org.uy/documentos/Tholons_Top_100_Ranking_2013.pdf

Costa Rica's Inflation Falling

Costa Rica's inflation fell from 4.74% in 2011 to 4.55% in 2012. The National Census and Statistics Institute (INEC) recently reported that this figure is in line with the central bank's target range of 4.0 to 6.0 percent. The economy grew 4.8% in 2012 which was higher than originally expected due to a strengthening manufacturing sector. The central bank has estimated inflation at around 5% through 2013

Welcome to the Neighborhood

David is newly retired as of this month. He was previously a lawyer and business executive for the business-to-business service industry. He moved to North Carolina from Ohio a few years ago and began working from home. His goal for that move was to live in a gated lakefront community with milder winters. He accomplished that, but still yearned for ocean views, a great beach and an even better climate. He also wanted to diversify his investments with some hard assets outside the US. That led him to explore Central America. In December, in addition to Pacific

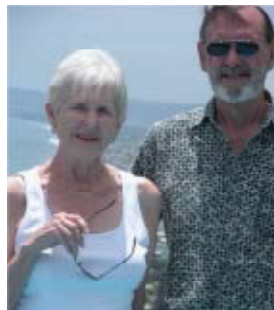


Lots he visited the Lake Arenal region and Southern Nicaragua. David said, "I was most impressed with what I could obtain in Pacific lots, and that, along with the gorgeous beach some 15 minutes away, made the decision to buy an easy one. I hope to build within the next few years and enjoy at least 3-6 months in Costa Rica every year."

Sue and Dale have been considering investments and/or living outside the US for more than 5 years. Their travels to Ecuador, Brazil, Argentina, Chile, Uruguay, Dominican Republic and Mexico gave them a base for comparison when they visited Costa Rica. Their visit to Pacific Lots more than a year ago motivated them to decide that they had found the right area. They said, "Now that we have purchased a property in Vientos del Sur, we are sure it will be a great investment and a delightful place to visit and eventually live."

Sue and Dale's professional lives are currently winding down. Sue was an educator and CEO of International Language Source, Inc. (technical translator). Dale is an industrial pattern maker and still loves the creative challenges. They're looking forward to having more time to travel, golf, go fishing, attend cultural activities/music/arts/community and events.

Sue says, they would consider working in Costa Rica if they could be of service or helpful to those individuals, organizations or businesses around them. She also said, "We strive for quality and comfortable living in a pleasant/peaceful environment."



Gerry and Donna have been married for 36 years and have relocated their family 16 times. They've lived in some wonderful places like Montreal, Toronto, Calgary, Ottawa, Auckland New Zealand and London, England and have traveled extensively throughout Europe and Asia. They currently live in Johnstown, Ontario which is just across the St-Lawrence River from Ogdensburg, New York. Their three adult children have scattered far and wide to places like British Columbia and Taipei, Taiwan.

They've been planning their eventual retirement to someplace warmer than Canada for some time. They're long time members of International Living and have attended several of their conferences and have been researching different countries trying to find the right one for them. They said, "Costa Rica was on our list and when we heard about the Pacific Lots development and the growth potential along the South Pacific coast we jumped at the opportunity to take in a Chill Weekend. We expected Pacific Lots would provide us with a good investment vehicle, and we were not disappointed, but we were completely blown away by what we saw, not only the development, but the surrounding area and a vibe from the community that just felt right to us."

They found the perfect piece of property with both ocean and mountain views. and are owners of over an acre of prime Costa Rican land and now view Costa Rica not only as a great place to invest but also a great place to retire. They expect to begin construction of a new home within the next two years and then it will be pura vida for these two snowbirds.



Debbie was born in Grand Rapids, Michigan and has lived in Indiana, Massachusetts, Florida, New York, Idaho, Colorado, and Utah... She's divorced, has 6 children and 7 almost 8 grandchildren.... She currently lives in Meridian, Idaho, but hopefully not for much longer... Debbie says "I am looking for the "Simple Life"...to reconnect with nature and to find a way to help "wounded women" heal including myself...I am ready to make Costa Rica my permanent home and can't wait to start the building process...I love to garden, remodel houses into homes, and connect with my visionary and spiritual soul..."

David and Linda live in CT and have been married almost 25 years. They both work in healthcare and have been blessed with 4 great children and a plethora of pets. They plan on working at least another 10 years and then building on their dream lot at Suenos Del Tropicos. They look forward to finding some meaningful work in CR or volunteering in the community, while easing into retirement.



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Welcome to the Neighborhood, Cont.

Kenny, 63, retired from Ford Motor Company in 2007. He owns a couple of office buildings that he takes care of. He was born in Louisville, KY, but moved to the country 30 years ago. He has a 53 acre farm 30 miles north of Louisville.

Kenny joined International Living last year to look at retirement options. He went to his first convention last year and singled out a few countries that he liked. He met Steve and was impressed with Costa Rica, but also liked Belize and decided to go there first. He said, "I guess part of it was because it was the only other English speaking country. I went to Belize right after the convention and hated it. I felt unsafe and Belize City was not what I expected. Then I went on a chill week with Steve and Kristina. I was very impressed with the beauty and cleanliness of the whole country. All the way from San Jose to Ojochal and Chontales was breathtaking. I bought a lot in Chontales and hope to build in the next couple of years."



Toro a la Tica; by Steve Linder

It's that season again, time for the fairs, festivals and rodeos in Costa Rica. One of my favorites is Toro a la Tica, Costa Rica's take on the Running of the Bulls. This year I had the pleasure to attend. The festival starts on Christmas day in the district of Zapote, a part of the canton of San Jose. Located on the San Jose-Cartago Highway, Zapote lies in the south east of the city. Zapote is a nice residential area but also home to a number of markets including the wonderful Zapote Market held every Sunday which attracts vendors and customers from throughout the central valley. The town is also home to Costa Rica's Presidential House as well as some key municipal buildings.

In the last week in December and the first week in January the district is transformed into bull fight central. The event features plenty of food vendors, carnival rides, costumes and beer tents but the main attraction is Toro a la Tica. This quasi rodeo event sans bull fight would surely never be allowed in the US. Unlike most bull fights, the bull does not get hurt, period. The participants do however and the Red Cross is plenty busy patching people up. There's traditional matador presentations, bull riding and some roping but the main attraction is a big rodeo ring where anyone brave (or stupid) enough can go into the ring with a bull typically weighing

in over 1000 pounds, with a bunch of others, hoping to trick the bull and not get gored. There's an afternoon show and a night show and on weekends there can be up to a hundred people in the ring at one time. There are a variety of contests. Men and occasional women, grab the ribbon from the bull and win a prize, stare down the bull, see who can play chicken the longest, etc.... It appears that most of the contestants might be a bit inebriated, that's the only way you'd get me into that ring. They do it for bragging rights, taking their chances and showing off their prowess to others. The event is so popular, it is televised live on channel 6 for the entire two weeks, so it's your chance to be famous and on TV. If you go, do realize it is not for the faint of heart and they have had some fatalities in the past. Expect lots of crowds, drinking and chilly temperatures, admission is charged.



International Music Festival Coming to Costa Ballena

February 9 & 10 will bring some of the best musical talent to Costa Ballena for an international music festival. Uvita (just south of Dominical and north of Ojochal) will host The Best Fest Costa Rica 2013 featuring 18 bands. According to their website, "The bands and talent at the Best Fest 2013 are the real deal. One band, Van Ghost, features lead singer, Jennifer Hartswick, who played with the Trey Anastasio Band for over a decade and has shared a stage with the likes of Herbie Hancock, The Rolling Stones, and Dave Matthews Band. Van Ghosts' album, "The Domino Effect" was produced by Grammy-award winner, Justin Niebank, who worked with legends like Eric Clapton, Bon Jovi, and Blues Traveler." A portion of the proceeds will be used to support wildlife preservation, reforestation and education in the Costa Ballena region. Tickets are \$35 per day or \$60 for a Weekend pass. VIP passes are also available. You can find more information here: <http://thebestfestival.com/>

New High School

ANew High School in the Southern Zone located in Cortés, south of Ojochal, was recently inaugurated by Mayor Alberto Cole de León and President Laura Chinchilla. There are 27 rooms, including 24 classrooms, 2 computer labs and an industrial arts shop. The facility also includes a cafeteria, 2 administrative rooms and storage. Plans are to build a gymnasium and a soccer/athletic field. Typically teachers are mobile, commuting between classrooms, while students are stationary. This new school will change the format to teachers having their own classrooms and students commuting between periods. The change is preferred by the staff since the teachers will now be able to personalize their space to enhance the education experience. The school will have the capacity to educate over 800 students.

Using a Self-Directed IRA to Purchase a Retirement Home

Self-directed IRA real estate purchases can be a convenient and rewarding investment. In today's economy, with many properties being snapped up at sub "priced-to-sell" prices, thousands of self-directed IRA holders are aggressively growing their accounts by investing their funds in domestic, commercial, rental and foreign real estate purchases.

Those using self-directed IRA LLC structures enjoy even more benefits. This vehicle—structured by a handful of financial services companies—enables checkbook control of funds and allows account holders to make on-the-spot purchases while avoiding time-consuming custodial permission processes and transactional fees.

Thanks to these many advantages, "real estate IRAs" (as some people call self-directed IRAs) are rapidly gaining in popularity. Yet, despite, this growing interest, many have never considered the one particularly attractive possibility these types of accounts present: *buying a retirement home now—at today's prices—to occupy after retirement age has been reached.*

Buy now, occupy later : You may have said yourself while strolling down some scenic street, "I'd love to retire here. But by the time I actually retire, I won't be able to afford the real estate." The great news is you don't have to wait.

If you already have an IRA, 401(k), 403(b), SEP, Roth, or other retirement account with substantial funds in it, you can roll that money into a self-directed IRA then use that capital to purchase the retirement home of your choice as *rental property*. Since this investment is done on behalf of your retirement account (and not you personally), the income you receive from rental payments is realized *tax-deferred* within your account.

Limitations on IRA assets: Due to conflicts of interest, neither you nor a close relative can live in the home now, as this would be considered a prohibited transaction with a disqualified person (IRC §4975(c)(1)(a)). However,

you can hold onto the property, lease it out to "arms-length" renters, build your retirement account with the rental payments, then take the real estate as a distributed IRA asset when you can take distributions penalty free (after age 59 and a half). After that, you can move in and enjoy the home you've waited so long to occupy!

Benefits of IRA LLC vehicles: If you have a self-directed IRA LLC vehicle, you have an added advantage. With this structure, you can act as your own property manager—a role disallowed with traditional self-directed IRAs. You'll be able to buy rental properties as an IRA investment and be your own property manager (landscaper, handyman, roof repairer)—potentially saving hundreds to thousands in fees you might have to pay others to manage the property.

Taking the property out of the account: Do be aware that you will need to pay IRA distribution taxes based on the fair market value of the property at the time you take it out of the account (determined by a then-current written appraisal) and according to whatever tax bracket you are in at that time. If, by that time, you happen to be in a lower tax bracket, the savings could be substantial.

And if you invested in the real estate using a Roth IRA, you might save even more. Because your taxes were already paid upfront, you will not have to pay any taxes when you take the property as a distribution to use personally.

Conclusion: Self-directed IRAs have already enabled thousands to grow their funds with rental money from their future retirement home—and thousands more to enjoy life in the retirement home of their dreams. Ask any of these folks what they think of the arrangement, and more often than not, they'll tell you that buying your future retirement home now could be the best "real estate IRA" investment you ever make!

To contact Paul Cook, Senior Consultant of Guidant Financial click here:

<http://tinyurl.com/abnze2t>

Energy News

Costa Rica, which generates over 90% of its electricity through renewable sources, has announced a plan to begin importing natural gas within the next few months. The country's goal is to generate cleaner and more efficient energy. Not only does natural liquid gas cost less (\$25 per barrel as opposed to \$95 a barrel for oil) it's less polluting than other gases. The Instituto Costarricense de Electricidad (ICE) announced that they will adopt this fuel starting with two thermal plants.

Also, Costa Rica has opened the largest solar plant in Central America. The plant is located on the slopes of Volcán Miravalles in the province of Guanacaste. The plant consists of 4,300 photovoltaic panels that harness the sun's radiation to produce electricity. Rene Castro, Environment Minister, said that "with this amount of power we can supply electricity to 1,000 families across the country..."

The ICE has also announced plans to add two new hydropower plants. The plants will be located in San Carlos and will be operational by the end of 2014.

More Airlines Flying to Costa Rica

Within the past few months more and more airlines have added Costa Rica as a destination. United Airlines recently announced plans to offer direct flights from both Washington-Dulles International Airport and Chicago O'Hare to San Jose, Costa Rica as early as April of this year. Also, Air Canada has announced its new Air Canada Rouge airline which will start offering low-cost flights to Costa Rica this coming July. The carrier will launch with two Boeing 767s and two Airbus 319s but plans to expand to more than 50 aircraft within the next 2-5 years. JetBlue Airways also announced plans to add daily nonstop flights between Fort Lauderdale and San Jose effective this coming June. And, Copa Airlines, based out of Panama will be offering flights from Boston's Logan Airport to San Jose, Costa Rica.

What's new? Tourism is in full swing in Costa Rica, the flights have been so full I was recently able to "volunteer" my seat on my flight from San Jose to Miami three times in one day and receive \$2400 in airline travel vouchers, life is good. Ojochal has a new Thai restaurant as well as a new Mexican restaurant called Verde. The town was recently written up as contender as the culinary capital of Costa Rica in the online news source AM Costa Rica. Ojochal recently hosted a food festival, el Sabor de Ojochal, featuring dishes from 14 restaurants, live music and boat rides. In other news, the world didn't end, we did not fall off the fiscal cliff and our tours continue to sell out, even the 3 seven day country and property tours. Our new home/land packages have been selling quickly. The phase includes a community pool, grills, covered gazebo club house and rest rooms. Priced from \$150,000 to \$220,000 these are easy to afford and make nice second homes

with great rental potential. Our show schedule includes an International Living conference in Panama in April where we will be the "Costa Rica Bonus Session", the "Ultimate Event" May 21 - 25 in Playa del Carmen Mexico, Fast Track Costa Rica August 5 - 7 and the Retire Overseas event September 27 - 29 in Las Vegas. Our Chontales development has houses sprouting up now like mushrooms and the new Baxter Bowling alley/sports complex is nearly complete. There are plenty of players at the San Buenas golf course and there's been some great inshore and offshore fishing. I was saddened to see the recent news about a large number of sea turtles washing ashore and I'm also concerned about the new foreign bank account and asset reporting laws facing Americans. If you own any foreign bank accounts or foreign assets, be sure you report them. See my story below.



Stephen Linder

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The HIRE Act, FBAR and FATCA

The HIRE Act: Big changes take place this year regarding reporting of foreign bank accounts and foreign owned assets by Americans. Back in 2010 President Obama signed the Hiring Incentives to Restore Employment Act (HIRE Act). We were told at the time the bill was aimed at job creation, money laundering and drug dealers. The real result has been the establishment of new tax reporting requirements that can leave those holding unreported foreign assets or bank accounts in big trouble with the IRS. The penalties and interest are high for non-compliance. In 2010 the first part of the HIRE Act kicked in with the Foreign Bank Account Reporting (FBAR) requirement. Under that rule any American citizen with over \$10,000 in aggregate holdings in foreign banks must report the amount each year on their tax return. The real purpose of the HIRE Act is a U.S. effort to combat tax evasion by U.S. persons holding investments in offshore accounts.

Extreme Penalties: Willfully failing to file an FBAR form by June 30 each year is an act against the treasury and the penalty is \$10,000 for non-

willful violations but for willful violations the penalty can be up to \$100,000 and 50% of the value of the non-reported asset. Not only are Americans required to report and pay tax on worldwide income, we must also now report worldwide financial assets. The official form is TD F 90-22.1. As in past years, the IRS is still offering an offshore Amnesty program but each year the cost of reporting under that program invokes higher penalties and interest. This year the penalty is 12.5% and the interest is now over 20%.

FATCA: This year the second major aspect of the HIRE Act law kicks in, The Foreign Account Tax compliance Act (FATCA). Under FATCA, US tax payers must report foreign assets if valued over \$50,000. Foreign financial institutions are also forced to become the compliance agent for the IRS. The IRS is requiring Foreign Financial Institutions to report the name, address, account numbers, balances and tax payer identification number on every American with deposits in their financial institution. This goes beyond just bank accounts, forcing these foreign

institutions to become agents of the IRS whether they like it or not..

Forced Compliance: Financial institutions worldwide that do not comply will be subject to a 30% withholding on every transaction from a US financial institution. Foreign financial institutions will not want to lose 30% of a transaction, pretty much forcing compliance if they want to continue doing business with the US. Accounts covered include financial accounts, stocks or securities, financial interest, contracts or real estate with a value of \$50,000 or more. Again the fines and penalties for non compliance are severe. The form(s) required are form 8938 or 5471 in certain cases. Failure to report foreign financial assets on Form 8938 will result in a penalty of \$10,000 (and a penalty up to \$50,000 for continued failure after IRS notification). Further, underpayments of tax attributable to non-disclosed foreign financial assets will be subject to an additional substantial understatement penalty of 40 percent.