

# Paradise Post

News From Ojochal, Costa Rica  
and Beyond

April 2009



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Happy Semana Santa "Holy Week" everyone. It's been an unusually hot season. March and April are typically the hottest months and Costa Rica broke several records this year. We're anxiously awaiting the rains.

8 companies have passed the initial stage of obtaining approval to offer telecom services in Costa Rica. A total of 19 companies requested permission from Costa Rica's telecoms regulator Sutel to offer cable TV, prepaid telephony, internet and VoIP services, therefore competing with state telco ICE, which has held a monopoly on the telecoms market to date. Permits will be in place by this summer and then they'll have a year to set up shop.

For the 2nd year in a row Costa Rica is rated as one of the most secure countries in Latin America for foreign multinationals and their executives, according to the Latin Business Chronicle. Costa Rica's economy, the

richest in Central America in per capita terms, will fall this year, but it's been speculated that CAFTA and a future China Free Trade Agreement (FTA) will help boost sectors ranging from finance to technology. Costa Rica has also held the first round of negotiations for an FTA in Singapore.

In addition, Costa Rica recently announced plans to reestablish diplomatic ties with Cuba. The country broke off ties with Cuba several decades ago and the current president, Oscar Arias, has stated that the country recognizes many nations that are politically different, and Cuba should be no exception.

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## Costa Rica rated as one of the most politically stable countries worldwide!

A recent report by the UK based Economist Intelligence Unit, [www.eiu.com](http://www.eiu.com), the world leader in global business intelligence, ranks Costa Rica as the 7th most stable country in the current economic crisis (tied with Mauritius) out of 165 evaluated worldwide.

In the March 2009 report, "Manning the Barricades", the Economist delivered a detailed forecast outlining possible effects of the economic situation resulting in social unrest. A Political Instability Index covering 165 countries, developed for the report, highlights the countries particularly vulnerable to political instability as a result of economic distress. Of the 165 countries covered by the index, 95 are in the very high risk or high risk group, 53 are rated as moderate and only 17 countries are

rated as low risk.

The Economist defines social and political unrest or upheaval as events that pose a serious threat to governments or the existing political order. The events will almost invariably be accompanied by some violence as well as public disorder. These need not necessarily succeed in toppling a government or regime. Even unsuccessful episodes result in turmoil and serious disruption.

Underlying vulnerability indicators are: inequality; state history; corruption; ethnic fragmentation; trust in institutions; status of minorities; history of political instability; proclivity to labor unrest; level of social provision; a country's neighborhood; regime type (full democracy, flawed democracy, hybrid or authoritarian); and the interac-

tion of regime type with political factionalism. According to the report Costa Rica is rated one of the world's most stable countries ... with only 6 countries ranked higher. Of all the countries in the Americas (North America, Central America, The Caribbean and South America); only Costa Rica and Canada made the top 20 - the U.S.A. ranked 55 overall and is not considered free of risk due to significant problems with minorities and inadequate social provisions.

The top 10 most stable countries in order are: Norway, Denmark, Canada, Sweden, Finland, Switzerland, Mauritius, Costa Rica, New Zealand and Luxembourg. The 10 least stable countries are Zimbabwe, Chad, Congo Kinshasa, Cambodia, Sudan, Iraq, Cote d'Ivoire, Haiti, Pakistan and Zambia. The full report is available online at [www.eiu.com/special](http://www.eiu.com/special).

## La Biblioteca Voluntaria-

### Our New Library

What started as a brainstorming session last year between two residents wanting to make a difference turned into a project virtually the whole community became involved with. Our town of Ojochal now has its own library.

Late in 2008 the local school gave permission to rehab a building on the main road and turn it into a library. Everyone pitched in to remodel what was a vacant salon and after lots of hard work early this year the library officially opened. People from all over, including a group of thoughtful students from Colorado, donated a wide variety of books and supplies. Community donations also streamed in to include eight glass panes for its windows, dehumidifiers and a new roof. The library opened with more than 2000 books but no shelves on which to put them; they've since been installed. Major donors' names are painted on the outside within leaves and for the opening party a



machete was used to cut through leaves symbolizing chopping through illiteracy.

The library is staffed with volunteers and the electricity is paid for by donation. The garden club is planning an educational garden with help from local landscape companies complete with quiet reading areas. Residents receive library cards and the local children have been particularly excited about the books including pop-ups which many have never seen before. Perhaps we'll see some budding writers emerge

from our area. Do I see a Nobel Prize in Literature in our future? Maybe.

Books are available in English, Spanish, French and German. The library is open Monday through Wednesday from 9 until 12 and offers story hour for children.



## Welcome new neighbors Elmer and Shirley



Elmer & I had a most wonderful tour with Kristina & Stephen in January.

Elmer enjoyed rewarding work as professor and Academic Dean. He has a passion for teaching and for the land. We both have keen interest & experience in building and design. Now Elmer is working in real estate in Kelowna, BC, Canada.

My interests are varied. Most of my career has been in business ownership, then earned a Masters in Education, taught for some time and now prefer to teach Reiki and dance. We are looking forward to meeting our new neighbors soon.  
Shirley

## Finca Bavaria

Off the beaten track is an unexpected oasis of charm, relaxation and beauty. Finca Bavaria is a small hotel just south of the heart of rapidly growing Uvita.

The hotel is run by Kevin and Anette who met and fell in love 4 years ago in Costa Rica. Kevin is from Idaho where he worked in hotel management and spent several years as a teacher for 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> graders. Anette's background includes interim hotel management for the last 8 years, mainly in Costa Rica. She's also spent many years sailing between Key West and Venezuela, in part as a chef on private yachts. Previously she worked in Germany as a store manager and broker in the fashion industry.

Consisting of over 25 acres the finca offers several hiking trails through the tropical rainforest with great opportunities for bird and wildlife viewing. They offer a full sunset bar for patrons to relax on the oversized veranda and watch the sun go down over the ocean. You're likely to hear several languages spoken across the

breakfast table. When we were last there we met folks from Germany and France as well as the US.

The hotel has 5 rooms, a rustic cabina and a refreshing swimming pool. The spacious rooms, all with terraces are tastefully equipped with bamboo furniture. Each room has a queen size bed, mosquito net, ceiling fan and a comfortable bathroom with hot water. Two larger superior rooms are equipped with an additional single bed. They offer a delicious breakfast daily for an additional charge which includes fresh fruits from the farm, Kevin's homemade breads, cold cuts, cheese and gallo pinto.

Prices run \$59-69 double occupancy, plus tax. You can reach them at <http://www.finca-bavaria.de> or at (506) 8355-4465



Kevin and Anette

# How you can purchase a Slice of Paradise with your Self-Directed IRA

If you've been considering owning your dream retirement home in Costa Rica but are delaying the decision until you're closer to actual retirement age you may want to think twice. The pickings may be so slim and/or may become exorbitantly expensive by the time you feel ready that it will be no longer be possible.

There's an option available you may not be aware of called the self-directed IRA. You can use your retirement funds before you retire to buy your retirement home today without incurring taxes or penalties. Keep in mind you can't purchase property that you will live in now but you can purchase it, rent it out and then funnel the money tax-deferred back into your IRA. Or... you can just hold onto the property while it builds equity. Once you hit retirement age you can take your standard distribution and essentially buy your property from your IRA. Although most people have not been aware of it, this has been allowed for decades. The Employee Retirement Income Security Act of 1974 gave account holders the right to personally direct their retirement money into investments of their choosing, including real estate.

If you already have an IRA, 401(k), 403(b), SEP, Roth, or other

retirement account you can roll that money into a self-directed IRA then use that capital to purchase or build the retirement home of your choice as rental property. The law states that you cannot incur any personal benefit before retirement age. 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.

To establish a self-directed IRA we recommend you work with a qualified provider who specializes in self-directed IRA LLCs which provide the IRA holder with checkbook control of the funds. In contrast, traditional IRA custodians allow foreign investment but must coordinate and charge a percentage fee for each transaction. Fees for self-directed IRA/LLC accounts typically include a one-time setup fee plus a flat annual fee, usually around \$150. Whichever account you choose, the process to purchase a piece of real estate as an IRA investment is fairly simple. You must make the purchase in the name of your IRA or in the name of the LLC, and you must pay for the property with IRA funds.

There are some prohibitions. The IRS mandates that 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. 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 to occupy.

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 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.

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## Is Rental Property a Good Investment?

Before you decide to build a home for rental income you should do a bit of research first to determine if it's a wise choice. Have you ever heard of [www.VRBO.com](http://www.VRBO.com)? This site, Vacation Rental by Owner, is a great place to find rental properties around the globe but it is also one of the most valuable research tools available for anyone considering the purchase of property in a foreign country. One of the best indicators of how to judge the value of an investment in a foreign location is the quality of the rental market. If a strong rental market exists, you can easily judge the quality of any investment using simple math. Using [www.VRBO.com](http://www.VRBO.com) you can find complete rental information, including rental rates as well as availability. Each property specifies the rental rates

for short term versus long term, high season or off season as well as features and photos, square footage and number of beds and baths. It is a great tool to compare potential purchases in various foreign locations. If the rental market in an area is good, so is the resale market. If the rental market is weak, don't expect great returns on your investment, appreciation or a secondary market to sell down the road.

With this tool you can compare the cost of any purchase to the potential return on investment from rental income. High rental rates and low availability are the key to solid returns and appreciation. Check out the rental activity in our town, at VRBO, Costa Rica, in the state of Puntarenas and the town of Ojochal. Compare our rates



and bookings to any other location, Panama City, Salinas, Nicaragua, Belize, Ecuador or Mexico and see for yourself why our area is in such demand. Look through all the listings in each area you are considering, this is what smart investors do. You may see a few new listings that may not yet have much rental activity. Use a good sample size and then compare results to the cost of purchase to figure your potential return on investment. A good investment should always have a strong rental demand. Other sites worth checking out for comparisons in our area are [www.VacationHomeRentals.com](http://www.VacationHomeRentals.com) and [www.elparaisoproperties.com](http://www.elparaisoproperties.com).

# Las Corridas a la Tica: Costa Rican Bullfighting

by Steve Linder

If you happen to be in Costa Rica at the right time of year, a fun thing to do is going to the "bull fights". Unlike most bull fighting in other countries, Costa Rican bull fights do not harm the bull. Local cattle ranches provide the bulls for free. There is a makeshift stable set up with a bunch of bulls that have been gathered from their typical free range fields for this once a year event.

We had our first experience years ago and Kristina and I climbed into one of the makeshift bull rings found in many cities and towns. There is a ring in Ojochal, full of weeds except for one weekend a year. We were there to see Las Corridas a la Tica, Costa Rican Bullfighting. I was surprised to see the ring full of younger men, between 15 and 25 toreadors improvisados (improvised bullfighters) wandering the ring in wait of the bull, as well as a few on horseback. Some had capes while others had short sticks and tin pans. I thought that this didn't seem very fair to the bull.

The announcer introduced the first bullfighter and the crowd waited in suspense. The first bullfighter (loco) appeared in the ring RIDING THE BULL.

He had no saddle, just a short rope to hang on for his life. Within a few seconds, the bull had ejected the rider and then tried to stomp and gore the rider as well as anything in its way. I've never seen people get out of a ring so quickly as the other men (locos) in the ring attempt to keep the rider, as well as themselves, from getting gored or trampled. The bull had other plans and managed to quickly empty the ring of all but the few horseback riders, whose job was to corral the bull out of the ring to ready the ring for the next victim (I mean rider). Occasionally the promoters would release a half dozen bulls into the ring when things were slow or the toreadors started getting cocky. Those bulls could clear the ring in six seconds flat.

I turned to the person sitting next to me and commented that they must get paid a lot of money to do this. Nope, no money was his answer. There must be a great prize I said next. No prize was the reply. Why would anyone risk their lives riding a 1400 pound angry bull I asked? He pointed to all the woman perched around the ring and explained to me that this is a right of passage to the best girls in town.



A new law requires that all participants must be sober. One has to ask why a sober person would do such a thing! One bull came out of the gate and just wandered around. The toreador rider tried to incite the bull but it just kept walking. He finally got off and made the walk of shame while the crowd cat called and whistled. That's the bull I want to ride I thought.

We watched four or five more riders and got to see the Red Cross in action, who volunteer their services for the event. They had set up a triage unit for the not so fortunate riders and ring runners. We finally had to leave the ring after seeing the bull find another unfortunate play toy. As we walked around the festival outside the ring, we occasionally heard the crowd groan, indicating that the bull had won another round.

Don't miss this annual event if you have the chance but do try to avoid getting on the bull...

What has been the most important factor in the economic activity of Costa Rica is the cultivation of coffee. Although it no longer has the prominence it once held, coffee production surpassed all other crops in importance in 1829 bringing Costa Rica out of poverty. Even though coffee is still an important export, in recent times electronics, pharmaceuticals, software development, and ecotourism have become the prime industries in the economy.

Coffee cultivation was first undertaken on a large scale by a small group of planters shortly after Costa Rica's independence from Spain in 1821. Earlier, in the first half of the 18<sup>th</sup> century Costa Rica's trials with coffee were unsuccessful. Relatively isolated, Costa Rica was on no important trade route nor was it a regular port of call. Furthermore coffee was processed in Chile and shipped to Europe where it was sold as Chilean coffee at prices which seemed exorbitantly high to the Costa Rican planters. However in 1845 a British ship owner gave the country direct access to the English market elevating Costa Rica from the country with the worst economic conditions in Central America to far surpassing the other nations in prosperity. The British, in fact, were the principal purchasers of Costa Rican coffee until late in World War II.

Costa Rica grows *Coffea Arabica* considered to be the most flavorful and smooth of the varieties. Costa Rican coffee is high in both quality and caffeine content. The climate (abundant rainfall and sunshine) and soil (slightly acidic and enriched by volcanic ash) in the central valley has proven to offer near perfect conditions for its cultivation

Hand picked berries are trucked to processing plants where they are washed to remove the outer layer and to dissolve the gummy substance surrounding the bean. The beans are then laid out to dry in the sun in the traditional manner. The skin of the bean is removed by machine rubbing and the beans are sorted according to size and shape. Coffee is roasted before it is consumed which influences the taste by changing the bean both physically and chemically. During roasting caramelization occurs as heat breaks down starches in the bean changing them to simple sugars that begin to brown, changing the color of the bean. Dark roasts are generally smoother and have a more sugary flavor. Lighter roasts have more caffeine which results in a slight bitterness and a stronger flavor from oils and acids which would otherwise be destroyed by longer roasting..

Costa Rica is the only country where only the Arabica varieties, by law, may be grown. This is unique in the world. No other country regulates the quality of coffee as completely as does Costa Rica. It is truly the most carefully grown, harvested and processed coffee bean you may find.

# The Costa Rican Ox Cart: A Symbol of Prosperity, Hard Work and Rural Life



the 19<sup>th</sup> century ox carts were the main transport used to haul coffee and other exported goods from the Central Valley to the port city of Puntarenas on the Pacific Coast. These trips were arduous, passing over the mountains and a reliable and fast cart could mean the difference between prosperity and ruin. At that point in time these carts were often the family's only means of transportation and seen as a status symbol which began the tradition of painting and decorating the carts' wheels. Originally, each region of Costa Rica had its own design which allowed an observer to note where the driver was from.



in parades throughout the country and now painstakingly detailed designs cover the entire cart. In 1988 the Costa Rican ox cart was established as the national symbol of work.

Escazu, in the Central Valley, holds a yearly celebration called "Dia de los Boyeros" or "Oxcart Driver's Day" where farmers from all over the country travel to the town with their oxen and ornate carts. They come to take part in a parade which showcases their carts often loaded with children dressed in cultural attire. At the end of the parade route a priest blesses the ox, cart and participants dousing them with holy water.

My initial idea was to write a story about the oxen of Costa Rica tying the story into our caballero theme but these hardworking, uncomplaining and fearless workers don't seem to get much press leaving it difficult to find interesting information about them. I'll just say "thank you" to the massive beasts and tell you about what is revered in the country; ox carts or "carretas".

These brightly painted handmade carts reminiscent of the Tibetan mandala have an important place in history in Costa Rica. During

As motorized vehicles have displaced the carreta as the main means of transporting goods (they are still seen on occasion transporting goods throughout the country which is quite a treat) it has become a symbol of Costa Rican country life. It's featured

The United Nations Educational, Scientific and Cultural Organization (UNESCO) recently named oxherding and ox cart traditions in Costa Rica as an intangible Cultural Heritage of Humanity. The very best Costa Rican oxcarts are made in the Sarchi area.

## The Golfito National Wildlife Refuge

Located about 1 hour south of Ojochal the Golfito Wildlife Refuge extends over 3000 acres north of the Golfo Dulce surrounding Golfito. It includes a chain of mountains which plunge into the sea forming a jagged coastline lined with cliffs. Most of the lowlands surrounding the Golfo Dulce are characterized by tall evergreen forest. The area includes some of the highest-storied forests in Central America. The coastal areas surrounding the Golfito Bay are heavily forested all the way to the beach.

One of the wettest places in the world, the area is characterized by nearly year round heavy rains. There are many resident mammals and 146 species of birds in the refuge including toucans, parrots, trogons and hummingbirds. Here you can find the collared peccary (javelina)

which lives in herds and can be very aggressive. Also found here are monkeys, wild cats, agoutis, raccoons, coati, frogs and snakes.

The refuge was created to protect the Golfito watershed as well as preserve rare plant species. There are no public facilities. Hiking trails are accessible from the town of Golfito and camping permits can be arranged through MINAE.



Collared Peccary

**Pura Vida** (poo-rah VEE-dah), used by Costa Ricans since 1956, literally translated means "Pure Life." Contextually, it means "Full of Life" "Purified life", "This is living!", "Going great!" It is used as a greeting, a farewell, and to express satisfaction. Some foreigners view the phrase as an expression of a leisurely lifestyle, of disregard for time and wanton friendliness. However, Costa Ricans use the phrase to express a philosophy of strong community, perseverance, good spirits, enjoying life slowly, celebrating good fortune, whether small or large. Pura vida also means "I am doing alright", "I'm doing perfect," and "Thank you." Expats who adopt the expression properly get a big smile in return. It is an acknowledgment of the Costa Rican attitude towards life.  
Source; Wikipedia

Kristina and I have been very busy so far this year. Visits to the property and sales are up over both 2007 and 2008. More people than ever are using self directed retirement funds for their purchase. In February I was a guest speaker at the International Living conference in Quito Ecuador and was pleased at the interest I received on Costa Rica when compared to other locations like Panama, Ecuador, Mexico and Nicaragua. Peter Masse, our New England sales rep, also worked the event with me. In March Kristina and I led a very successful 10 day tour to Costa Rica with a great group of people. Last week we worked the Delray Affair, the largest public event in Florida. Attendance was estimated at 200,000 people. We are also hosting a trip in June from the National Association of Realtors interested in the Costa Rica real estate market.

In the current economic climate, now is a great time to move some of your savings or retirement funds into hard assets. Holding hard assets like foreign property is a great hedge against a decrease in the value of the dollar as China continues to decrease investment in the US. As foreign investment leaves the US, the likely scenario is an increase

in interest rates to encourage more foreign investment. Increased inflation will follow as the US looks to reduce our debt load by repayment in cheaper dollars. As the value of the dollar erodes, so does the value of our savings. The US is likely to see weak economic activity for at least the next few years with resulting pressure on the value of the dollar. Massive deficit spending adds fuel to the fire. As more baby boomers scramble to find a way to retire on less money, Costa Rica continues to be a prime choice.

Alan Greenspan said in the magazine, Senior Journal, "Because the baby boomers have not yet started to retire in force, we have been in a demographic lull. But this period of relative stability will soon end." Are you ready for retirement or will you be one of the millions of Americans who will have to work well into your seventies to pay for the high cost of healthcare and living expenses? Costa Rica is attracting boomers in record numbers from both the US and Canada. With health care costs at roughly 1/10<sup>th</sup> the cost in the US and cost of living at less than half, the demand will continue major price increases in property values

in Costa Rica, particularly in the southern Pacific region. Costa Rica continues to attract investment from worldwide sources as the US is losing investment. China has invested nearly \$400 million dollars in the past year alone and is now Costa Rica's second largest trading partner. America's rich are also investing millions, AOL magnate Steve Case and tennis stars Andre Agassi and Steffi Graff are financing a 1.2 billion dollar hotel project. 30 new foreign companies moved operations to Costa Rica in 2008 and though Costa Rica is experiencing a slow down due to the world recession, they still expect to add new jobs in 2009.



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## March Tour Group

