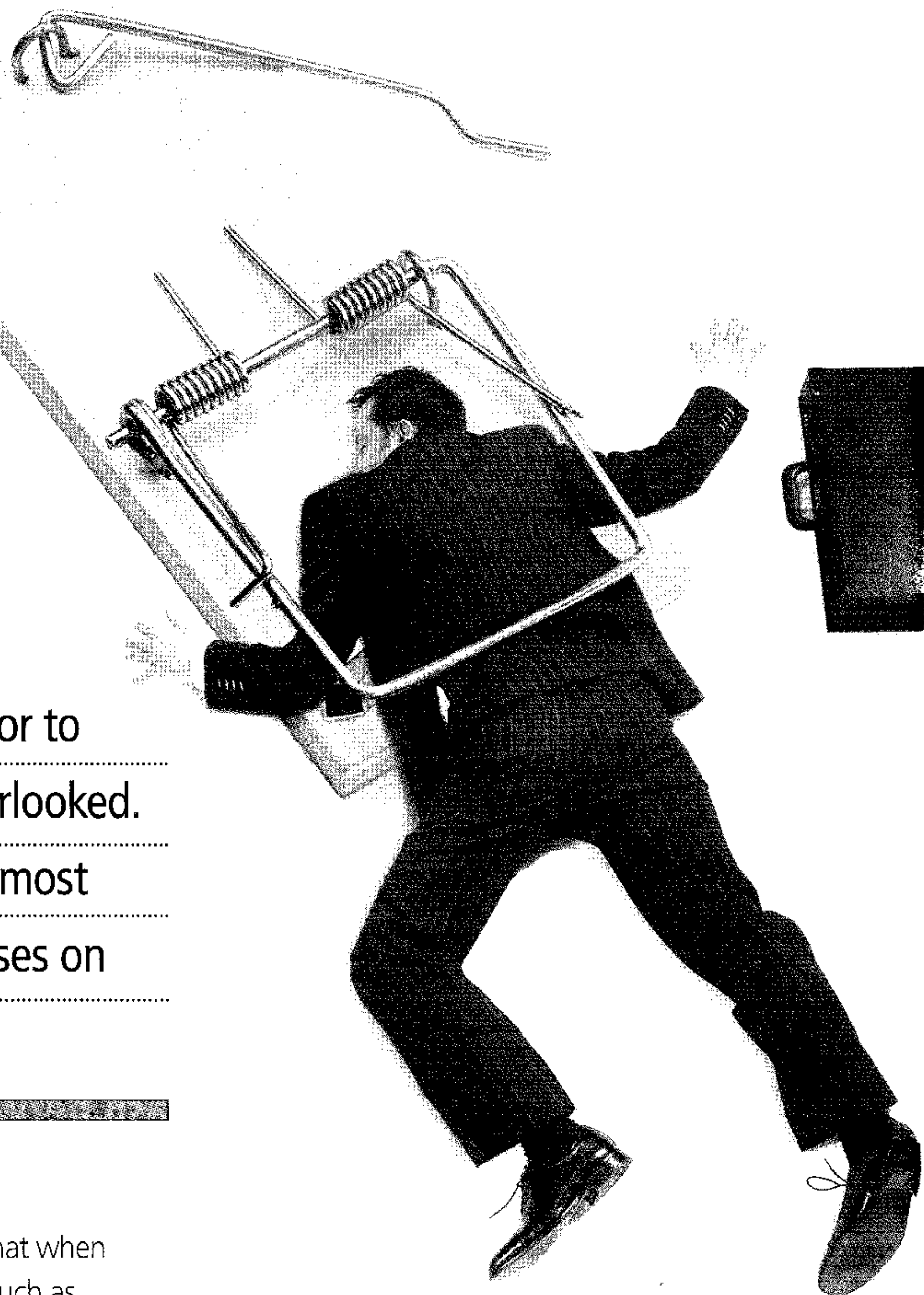


# DODGING THOSE TRAPS

Whether you're moving to the region to take up employment or to set up a new business, there are pitfalls that can easily be overlooked. Independent financial advisor, Greg Pogonowski, outlines the most common areas where new arrivals run into difficulty and advises on the most practical solutions.



## Underestimating the cost of living

One of the biggest mistakes made in that first move abroad is to underestimate just how much it may cost to live in a new and unfamiliar country. The cost of living in the UAE is significantly higher than in many other countries, particularly in the Gulf region.

## Living beyond your means

One of the things I have noticed is that when people first arrive in a new country such as the UAE, particularly if it is their first contract, they often live beyond their means. This can lead to financial difficulties, especially if they are not used to the high cost of living in the region.

Most new expat business owners are perplexed by the amount of bureaucracy in the UAE. However, help is at hand if you find the right company to act for you in terms of PRO services, relocation, and company set ups.

### Inadequate will writing

While many expats will have written a Will in their country of origin, once they move abroad this may not be recognised in their new country of residence. For example, if a married man dies in a country ruled by Shariah Law, all his assets will be initially frozen, and then after evaluation, be transferred to his nearest living male relative. Even if there is a UK Will in place there is no guarantee that the wife will receive anything. Setting up a Shariah compliant Will is essential.

### Having an overseas bank account

Make sure you set up bank accounts in the country in which you want to make domestic payments, such as for utilities. Not to do so could see you paying excessive and unnecessary bank charges. All expats should also keep the minimum amount of money in the UAE as possible (say at least three months' living expenses) and the rest should be in a true offshore account, so that it falls outside Shariah Law.

If the expat SME owner is from Europe, it is recommended they do not have an offshore account with any European bank, as they have all signed up to the EU Disclosure Treaty. Worse still, is to think you have an offshore account only to find it is really not because the bank you used in the UAE is just a "franchise" of the "real" bank you think you are with, and therefore still falls within Shariah Law.

### If you are from the UK, forgetting to inform HMRC

A common mistake people make is forgetting to inform HMRC of their non-UK status. This can easily lead to an individual being sought after for tax in both the

rate of exchange can be sustained over a six to twelve month period, so budgets are not wildly affected.



Greg Pogonowski

UK and their new country of residence. A special and simple form needs to be completed. On another note, anyone taking gains within the first full tax year that an individual moves abroad will be taxed by HMRC. To benefit from any tax advantage from moving abroad, gains will have to be taken after the end of that tax year in April.

### Life insurance cover

Whilst most UK written life insurance policies provide cover outside of the UK, this is not true of many plans from other countries. It is important that anyone working or living in a new country reviews any insurance policies they may have in place to ensure they properly cover them, both for their new residence, as well as for their individual needs.

If your policies do not provide cover if you are not resident in the country in which you took your plan out, but you intend to return home in the future, best not to cancel these, but consider term insurance (life cover) to cover the period you are abroad.

You will also need critical illness benefit, private medical insurance amongst others; an SME owner should consult a qualified independent financial advisor in the country they move to, as the one back home is usually not authorised to give advice to expats, and vice versa.

### Pensions and NI contributions for UK expats

If you have a pension in the UK, either ensure that you maintain contributions to it or set up an alternative scheme. You can continue to contribute to it for five consecutive tax years after you have moved abroad, and still get tax relief on your contributions, even though you are no longer paying income tax in the UK. This will depend on your individual circumstances. Likewise, if you are intending to return to the UK later in life and wish to draw a state pension, then maintaining National Insurance contributions is essential.

For non-UK expats, especially those who do not get tax relief on contributions, you should seriously look to set up an offshore pension as this can give you considerably more than an onshore plan back home, over time, because your investment grows tax free and this makes a significant difference the longer you have your plan. ■

### About

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