

# The State of Expat Financial Advice in 2023



## Finding an adviser you can trust.

**The expat financial advice sector is fraught with rogue traders and unregulated firms.**

Managing your investments while living abroad can put you in a uniquely vulnerable position.

It's not uncommon to come across rogue financial advisers who stand to benefit from where you put your money, as well as unregulated firms who hide their fees in the small print.

In the UK, The Financial Conduct Authority (FCA) provides regulations to help keep you and your money protected, but overseas they have little to no jurisdiction. It's up to you as the consumer to seek out financial advice you can trust to help you make the best decisions when it comes to your finances.

As a result, many UK firms will not deal with any non-UK residents as their professional indemnity policies will not cover any advice given.

**According to an HSBC report, only 9% of expats have had help from a financial adviser.**

While many financial advisers operate with complete integrity, there are some whose intention is to take advantage of consumers, particularly vulnerable expats who are finding their feet in a new country.



**We asked British expats to share their experiences of receiving financial advice.**

In this guide, we reveal our findings and offer our recommendations for finding an expert you can trust.

# Expats Life: Setting the Scene.

## Expats have a huge impact on the local economy.

Around 5.5 million British expats live abroad, with a third living in Europe and the rest in other worldwide destinations. There are many reasons why people move abroad to live the expat lifestyle, including cultural enrichment, career development, tax savings and overall experience.

Expats tend to be major driving forces of economic performance in the areas they move to. This is largely due to higher salaries and beneficial tax provisions, which provide a compelling incentive to relocate. As a result of these provisions, expats tend to have higher amounts of disposable income, which they in turn reinvest into the local community.

The total number of expats worldwide stood at around **56.8 million** in 2021

As well as reinvesting their income locally, expats bring many other benefits to their host countries.

1. **They boost the labour market.** Often expats move abroad for better career prospects or to fill a skilled labour shortage in their host country. Thanks to their qualifications and skills, expats contribute to boosting the labour market without necessarily affecting locals' employment opportunities.
2. **They stimulate the economy.** Expats make a significant contribution to their host country's economy, far beyond work. Not only will they spend their money locally on living and work expenses, during their free time they are also likely to explore their host country and boost tourist sites.
3. **They create jobs.** Many countries have established strategies to attract and retain foreign entrepreneurs. The benefit to a host country includes greater international investment, innovation and job creation.
4. **They pay taxes and contributions.** Tax is inevitable for expats, and expat workers who are attracted by higher salary packages will also be paying higher levels of tax. Entrepreneurs are also required to pay corporate tax and other workforce subsidies once they start hiring. As a result, expat contributions have a significant impact on public budgets and on public services.





# The Covid-19 pandemic significantly impacted expats.

For expats in particular, the onset of the Covid-19 pandemic caused turbulent times in both work and family lives. 88% of organisations encouraged or required their employees to work from home due to Covid-19, which for expats brought unprecedented challenges across geographies.

For many living and working abroad, mobility issues, family pressures and difficulty accessing health services were acutely felt. This is evidenced by a recent survey of expats, showing that Covid-19 impacted the future plans of 62% of those living and working abroad.

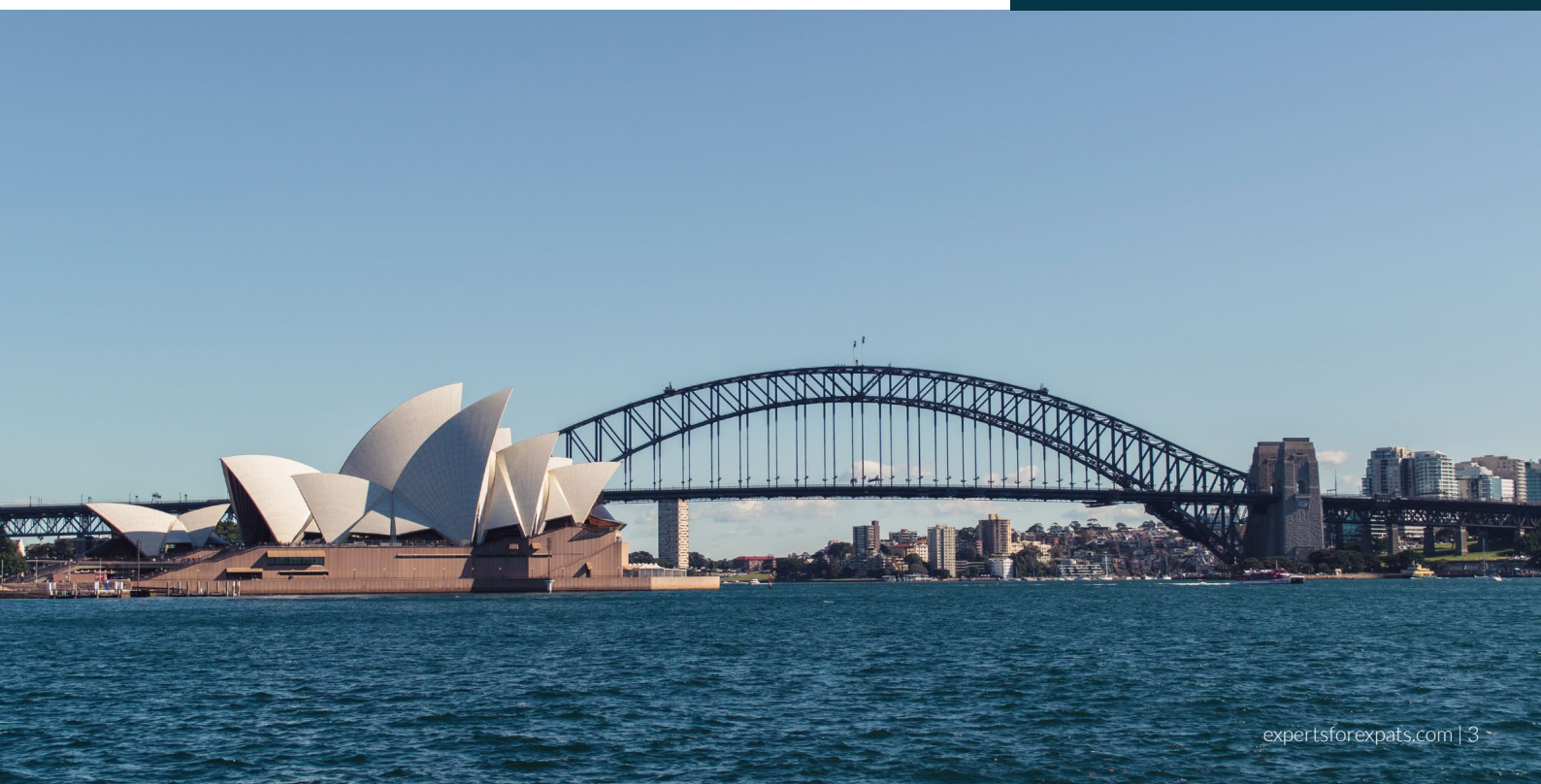
Living abroad often brings its own set of challenges, not least being away from friends and family, language barriers and adjusting to new customs and cultures. Most people who decide to move abroad for work are resilient and robust enough to cope with these challenges.

However, the pandemic has tested even the most hardy and flexible of people. Not only have expats had to navigate the global pandemic like the rest of the world, they have done so whilst isolated from traditional support networks such as friends and families.

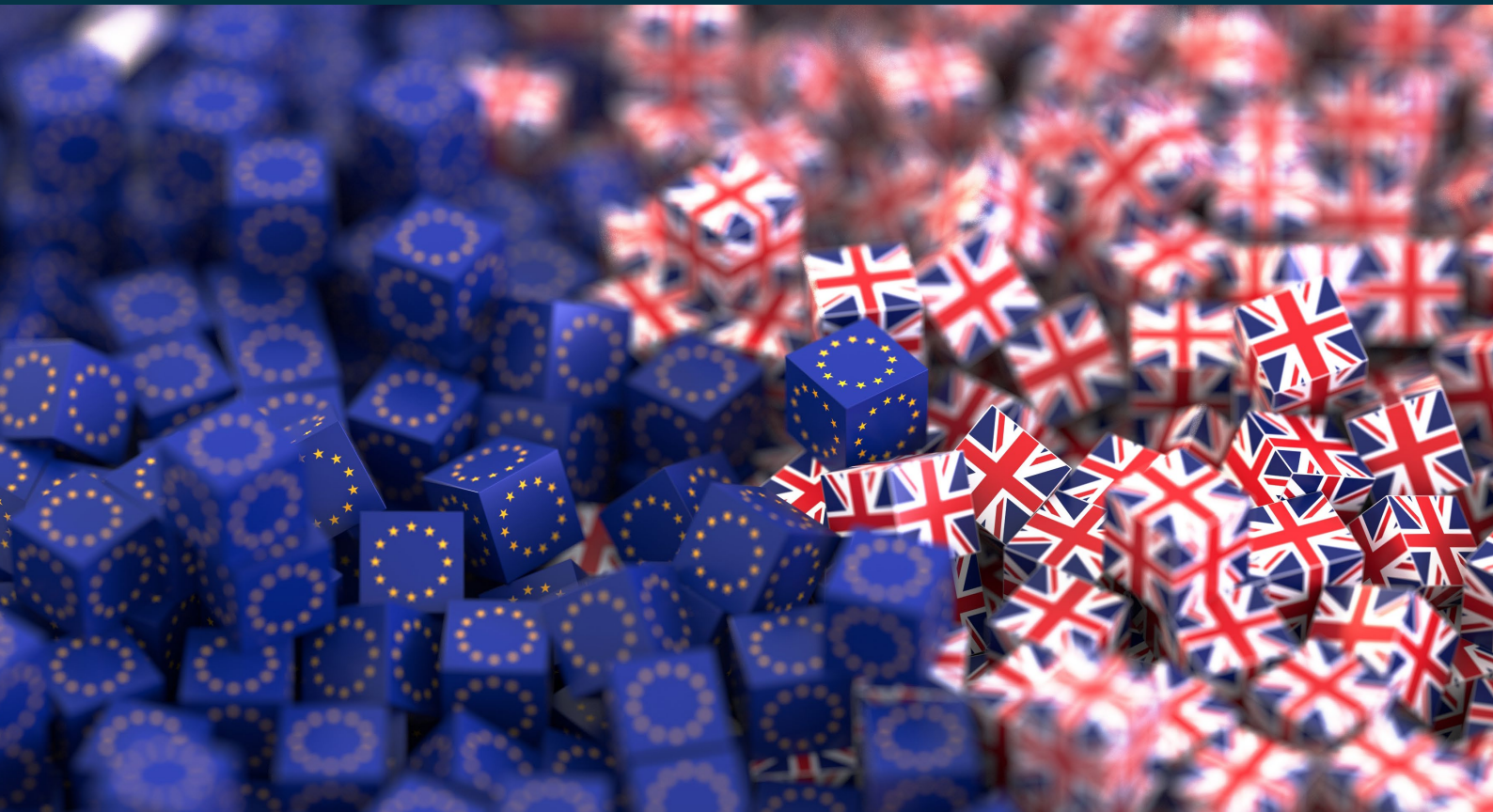
Post-pandemic, as businesses start to re-imagine talent strategies and operating models, workers' mobility will inevitably be impacted. The extent of this will, of course, vary from organisation to organisation, depending on operating locations, the nature of work, and impact on global projects.

In May 2021, a study asked over **1,100 expats worldwide** about how the Covid-19 pandemic has affected their mental health

- 38% felt the quality of their mental health had declined as a result of Covid-19
- 44% said they would have preferred to be in their home country throughout the pandemic



# Expatriate Life: Setting the Scene. *(continued)*



It's estimated there are over **850,000 UK nationals** living in the EU and **4 million EU citizens** who have been granted residence status in the UK.

## Brexit made life tough for many expats.

We know that post-Brexit, travelling between the UK and EU will no longer be as straightforward as it was for British citizens. So what about UK nationals living in the EU and vice versa?

Spain is the most popular expat destination, and home to a third of British expats. Since 2021, all Brits are now classified as non-European citizens, however the UK is currently on the list of visa-exempt countries. This means that unless there is an alternative UK/Spain agreement, UK citizens will be limited to visiting Spain for up to 90 days within any 180-day period without a visa.

For British workers looking for non highly-skilled jobs, living and working in Spain has been made much more difficult. Following Brexit, workers must request a Spanish company to declare to the government that they couldn't find any EU citizen suitable for the job on offer.

[Read more about retirement planning for British expats in Spain here](#)



# Most expats seek financial advice at some point.

Engaging a trusted financial adviser is the best way to prosper in any country. A good Independent Financial Adviser (IFA) will offer different options and opportunities, so the key is working out what's right for you.

As many expats find themselves saving more than they did before they moved abroad thanks to higher incomes and the often lower cost of living, it makes sense to take advantage of this to grow and protect your wealth.

A financial adviser, by definition, is someone who provides advice to an individual or company on how to manage their money. They will often be involved in setting up and managing pension funds, managing full investment portfolios and even help structure assets to ensure that they are not exposed to unnecessary tax.

[Read more about choosing a financial adviser here](#)

Our survey asked **British expats** whether they had sought **independent financial advice** in the last five years and why.

- 59% had sought **tax advice**
- 43% had sought **pensions advice**
- 36% had sought **general financial advice**

## Common pitfalls for expat investors and how to avoid them.

According to a recent study, as many as **three quarters of expats** agreed that controlling their finances had become more **difficult** after moving abroad.



This highlights the real need for trustworthy expat financial advice for thousands of UK citizens who decide to retire or work abroad.

Here are five typical financial mistakes that expats make and how to avoid them – *you may want to use these as a checklist when speaking to your IFA.*

### **1. Keeping all your money in cash.**

Adequate cash reserves are required for emergencies, especially if that includes making a short notice trip home. However, whilst holding all your wealth in cash might feel safe, it can be a risk as it can mean you lose purchasing power to inflation and see your capital erode in value over time.

# How to avoid common investor pitfalls. *(continued)*



## 2. Trying to time the markets.

One of the reasons some people hold cash is to try to time the markets, but this can be a problematic strategy. If you decide to sit on cash and time entering a market when it falls in value, you might find yourself on the sidelines of investment markets for months or even years. During this time, the market can go up further than it will subsequently drop meaning you are worse off. The other way people try and time a market is to sell at a top. Again, this is almost impossible to time.

## 3. Not getting your estate planning in order.

Many people put off estate planning, but it can be especially

important as an expat when multiple jurisdictions and laws are involved. An estate plan will help you understand how you pay for care if you need support in the future, and give you confidence your wishes will be carried out.

[Read more about expat estate planning here](#)

## 4. Not closing the pension gap.

One of the common impacts of international life is that expats often end up with pension gaps. These are those periods in your working life when you are not receiving pension contributions from your employer, and/or you are not making pension contributions for yourself. It can sometimes be difficult to arrange a pension transfer of a company pension when you're

an expat. Instead, consider a private pension plan which is affordable and flexible, and meets your requirements as an expat.

[Read more about pension consolidation here](#)

## 5. Understand the local laws and opportunities.

If you are new to a country, take the time to get to know the laws, regulations, restrictions and obligations. This can include pensions, taxes, investment restrictions, reporting requirements and your rights as well. Do you qualify for allowances? It is worth getting tax advice when you are new to a country to get clarity on these issues and get financial and investment advice so you understand the investment horizon.

Expat tax affairs can also be complicated. A common mistake British expats make when they first consider moving abroad is thinking that when they move they will be instantly exempt from UK tax. This couldn't be further from the truth. The tax requirements for British expats abroad is not straightforward and requires careful planning in order to stay within the rules.

[Read more about our tax advice for British expats here](#)

# How to get the best advice for your circumstances.

As an expat, navigating a different country's rules and regulations when it comes to financial advice can leave you vulnerable to unfair practices at the hands of unregulated advisers. Here's how to protect yourself.

## Get clear on key information.

In their previous dealings with financial advisers, a worryingly high percentage of the expats we surveyed told us that crucial information was not made clear to them.

50% of respondents said that tie-in periods were not discussed, while 40% said exit/cool-off conditions and associated fees were not well-explained. Additionally, 31% said early exit fees were not made clear.

One regularly reported problem involves non-UK based financial advisers selling commission-based investment products to expats, without following disclosure rules. The result is that the client is not told how much the advice is truly costing them, the ongoing charges associated with the pension or investment and how long they are tied into the product itself without incurring very large exit penalties.

In the UK, under FCA regulations, financial advisory firms are only allowed to provide advice on a fee-based

basis unless insurance based. While this is also the case in other jurisdictions, this is not a universal rule and there are many firms operating internationally that still operate using a wide range of highly lucrative (for them) fee structures, using a combination of commissions, charges and fees which will all eat away at any investments or capital that you have.

Before proceeding with any advice, ask questions around the fee structures and ensure you fully understand what you are paying for, what that firm is earning and what the adviser is earning. In nearly all cases, before the end of the first formal meeting, the adviser will have an understanding of what the charges are likely to be, so it is never too early to start asking the question.

## Check credentials.

You can protect yourself to some extent by checking out your IFA's credentials with the local regulator and his or her professional body. You can start by using the [International Organisation of Securities Commissions \(IOSCO\)](#) website, and [lists such as this one](#) to

determine if an in adviser is authorised. The IOSCO also publishes regular scam alerts highlighting companies and advisers working without authorisation.

**Some firms will use false credentials that look trustworthy to mislead. Always check that credentials *actually* exist and are being correctly applied.**

Outside Europe, different countries have a varying degree of regulation, ranging from none to strict, in places like the USA, Canada and Australia.

It's worth noting too that European Economic Area financial advisers can port their authorisation from one member state to another.





# How to get the best advice for you. *(continued)*



For British expats, often advisers will have ported their authorisation from the UK and their credentials can be checked on the [FCA website](#). Under this option, financial advisers can carry on their business in more than one country, but they will still be under the supervision of their home regulator.

[Read more about the role of the FCA and British expats here](#)

## Be wary of claims of independence.

Financial advisers should be acting independently in order to give the best possible advice to a client based on their own personal circumstances. In our survey, 40% of expats who received unsolicited sales approaches from a so-called

financial adviser said the caller was not acting independently.

Being 'restricted' means an adviser can only recommend products from a limited selection or product range, not from the whole of the market.

Take any online reviews of the firm or adviser with a pinch of salt. Instead you can make your own checks to find out who you are dealing with by looking at:

- Qualifications and experience working with expats
- Independent status for recommending products and services
- Status with the local financial regulator
- Fee and commission structure

- Arrangements for continuing advice should you move or leave your expat home
- Professional support for handling tax and estate planning between your home country and expat home

## Ensure the advice is right for you.

Our survey revealed that 82% of expats who were cold called by a person claiming to be a financial adviser felt the caller was trying to sell a specific product, regardless of their circumstances. Long-term savings plans which are frequently pushed to expats are often laden with commission for the adviser and can come with huge fees and charges.



After an initial contact, the financial adviser should send a follow-up report detailing your current financial situation, an analysis of your risk profile and the products and services they recommend, along with any associated fees. In our survey, 63% of our respondents revealed they had dealt with a financial adviser who failed to provide a detailed personal report.

Alarming, of the expats who did receive a report, details around fees and charges were often omitted. Only 23% of expats received information about tie-in periods, while just 28% received a breakdown of early exit fees and only 32% received details of cool-off conditions.

## Beware unsolicited approaches.

One of the most common ways for rogue advisers to push their products is to make first contact.

31% of expats we surveyed had been cold called by people selling financial products, with



86% of callers not disclosing how they obtained expats' details. Where this was disclosed, personal details had been obtained through social media.

It is important for expats to be aware that rogue advisers are may be scouring social media platforms to search for posts about new arrivals to a country.

If you receive an unsolicited call, always treat it with extreme caution. Of course, advice being pushed may turn out to be suitable – but you should always seek independent advice first to ensure that you are not being mis-sold.

[Read more about how to spot a rogue financial adviser here](#)

# Set yourself up for the future, today.

Getting the right advice from a regulated, independent financial adviser will give you comprehensive support to plan for your future by managing your money well today.

At **Experts for Expats** every introduction is dealt with by hand and we only work with people we trust. All advice is tailored to you and your unique circumstances and our experts will always take the time to get to know you before offering any advice.

Request your free introduction to a fee-based independent financial adviser at [expertsforexpats.com](https://expertsforexpats.com)