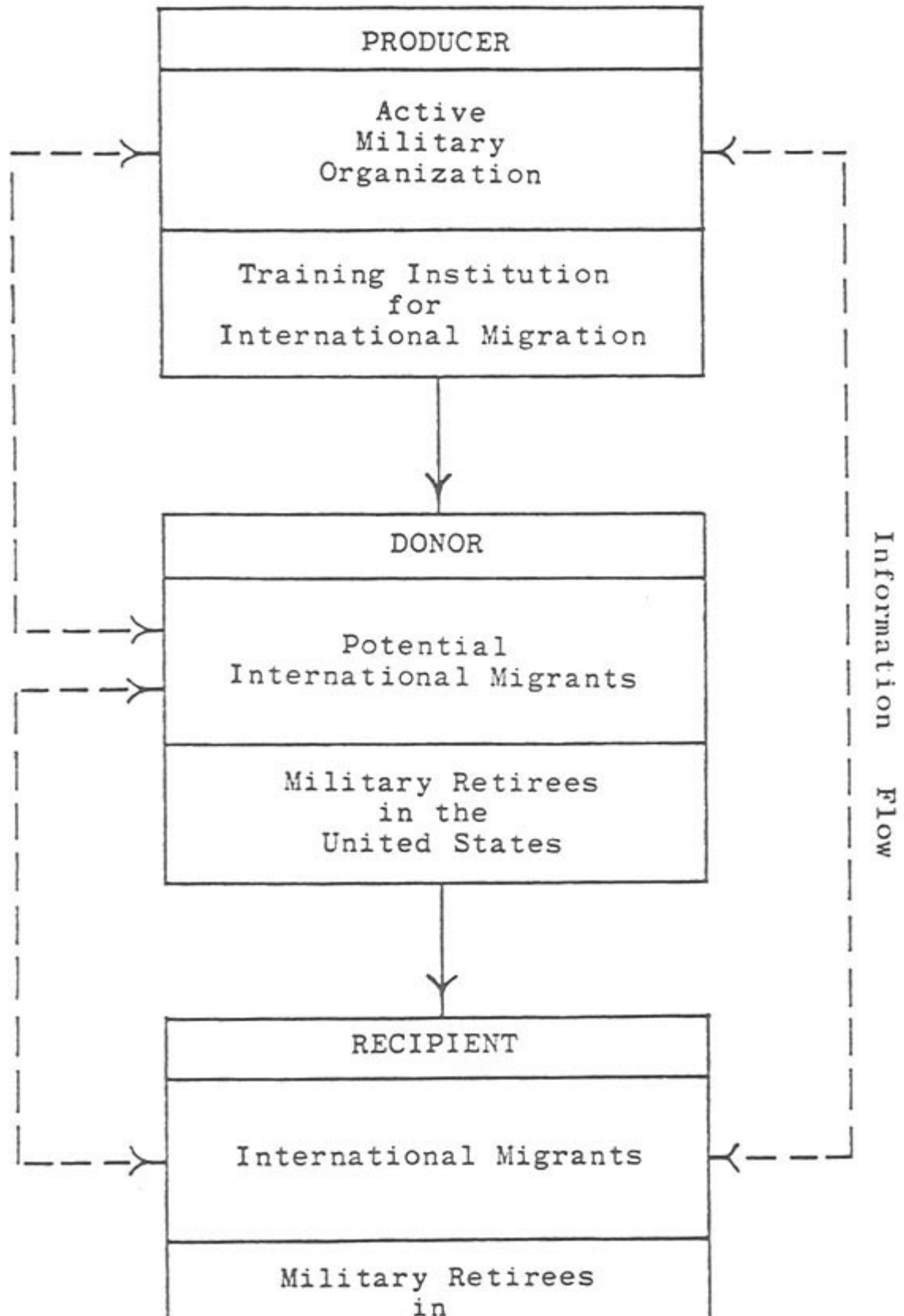


# A New Form of International Migration: U.S. Military Retirees In Central America<sup>1</sup>

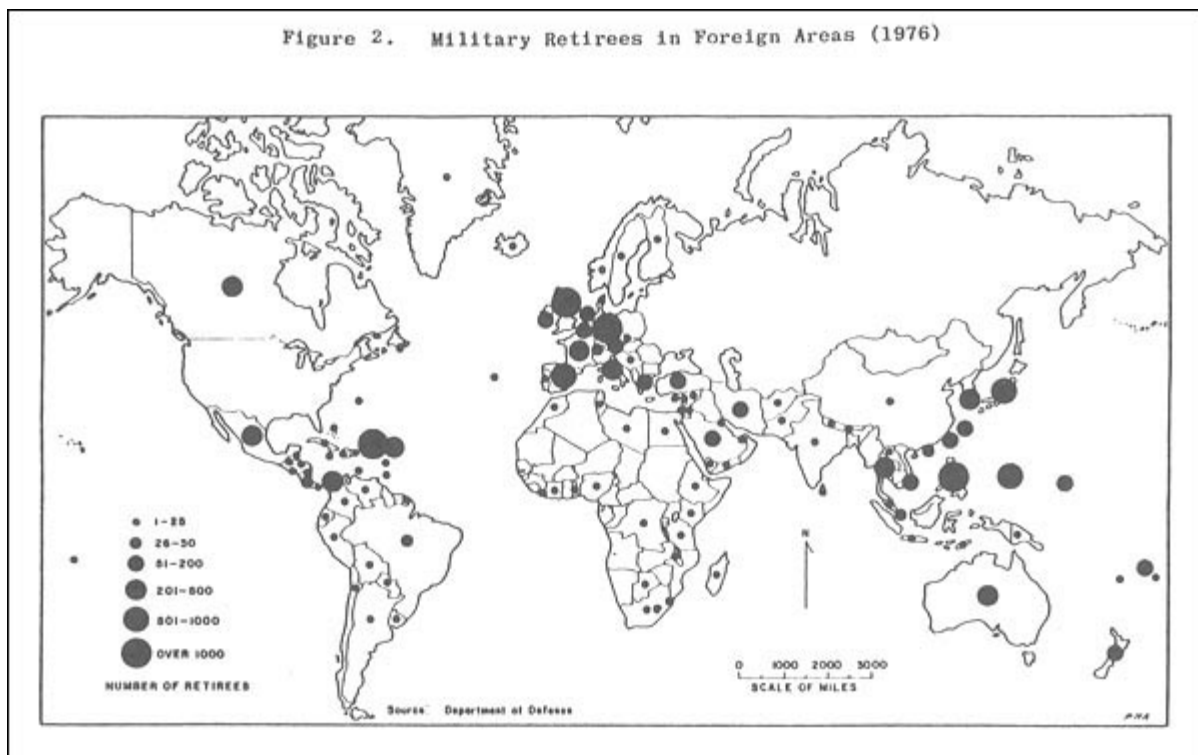
**Phillip H. Allman, Jr.**  
*Spring Arbor College*

During the early 1970s, U.S. military retirees were added to the retirement base at the yearly rate of 60,000-80,000 persons. From the mid 1970s through the remaining decade, the retiree population was further increased by approximately 50,000 persons annually (*Army Times*, 1975, 19). By the end of the decade, this specialized group numbered almost 1.2 million retirees (Hargreaves, 1979, 7). It therefore represents a significant element of retired persons that can provide potential migrants for international retirement migration, with the active military organization functioning as a continuous generator of new retirees (Figure 1). This concept, depicted in Figure 1, envisages the active military organization as a training institution for international migration, since its members have been frequently exposed to foreign areas through repetitive overseas assignments. This producing element, then, places military personnel into a donor base representing military retirees in the United States, a source of potential international migrants. Certain of these retirees migrate to foreign nations, creating a chain information flow among the elements.

Figure 1. Retiree Generation



In the mid 1970s, about 23,000 military retirees were living in 115 foreign nations and territories (Figure 2), including U.S. territories (000, 1976). Although accounting for only two percent of the total number of military retirees, this group represented about eight percent of the estimated 300,000 Americans retired abroad (Fischer, 1973, 1). They were concentrated principally in the regions of Middle America, Western and Southern Europe, and the Far East-Western Pacific (Figure 2). It is obvious from Figure 2 that the largest numbers of retirees appear in territories of the United States or in those nations where major U.S. bases have been maintained. A prime exception is Mexico, a country that has long attracted retired North Americans because of its proximity to the United States, among other advantages (Davis, 1942; Scott, 1969; Krause, 1974; Ross, 1974; Swenson, 1974; Allman, 1975; Holder, 1976; Reed, 1979).



Traditionally, the majority of military retirees owe their presence in a foreign nation to kinship ties and job opportunities (Leonberger, 1973; Gates, 1974). The 1970s, however, witnessed a significant increase in numbers of retirees seeking amenities as a requisite for settlement and full retirement (Wiseman, 1978, 19). During the same period, several of the Central American nations implemented special laws to attract foreign retired persons as part of their national development programs (Panama, 1970; Costa Rica, 1971; Guatemala, 1973; El

Salvador, 1973; Nicaragua, 1974). The retirement incentive laws of these nations have similar processing procedures, qualifications for applicants, and benefits and limitations (Table 1).<sup>2</sup> Other foreign nations having similar laws predating those enumerated in Table 1 are Spain and Mexico (Ford, 1974; Spain, 1974).

Table 1. Retirement Laws for Foreign Nationals

Country	Law No. and Date	Retiree Title	Processing Agency	Qualifications	
				Min. Mo. Pension	Min. Age
Belize	None				
Costa Rica	4812 Jul 1971	Resident Pensioner	Costa Rican Tourism Institute	\$300	None
El Salvador	476 Nov 1973	Pensionee Resident	Ministry of the Interior	\$300 or \$400 with 2+ depts.	None
Guatemala	58-73 Aug 1973	Retired Resident	Guatemalan Tourism Institute	\$250	None
Honduras	None				
Nicaragua	628 Nov 1974	Retired Resident	National Tourism Office	\$400 plus \$100 per dep.	45

Country	Indefinite Residence	Absence Limit (Mos.)	Allowed to Work for Pay	Change of Status Penalty
Belize	Not Applicable			
Costa Rica	Yes	6 per year	No*	Yes <sup>1</sup>
El Salvador	Yes	6 per year	No	Yes <sup>2</sup>
Guatemala	Yes	None	No*	Yes <sup>3</sup>
Honduras	Not Applicable			
Nicaragua	Yes	None	No	Yes <sup>1</sup>

BENEFITS AND LIMITATIONS

Country	Max. Amt. Free Import Duty on Household Goods	Duty Free Auto Import	Income Tax Exemption	Change of Citizenship
Belize	Not Applicable			
Costa Rica	\$7,000—one time only	1 per 5 years <sup>4</sup>	All income from abroad	No
El Salvador	\$10,000—one time only	1 per 5 years	All income from abroad	No
Guatemala	\$7,000—one time only	1 first 4 years, then 1 per 3 years	All income from abroad	No
Honduras	Not applicable			
Nicaragua	\$10,000—one time only	1 per 5 years	All income from abroad	No

\*Exemptions made in certain professional and education areas if qualified nationals not available

<sup>1</sup>Pay exempted taxes on household goods for status change prior to three years and on auto prior to five years

<sup>2</sup>Pay exempted taxes on household goods and auto for status change prior to four years

<sup>3</sup>Pay exempted taxes on household goods for status change prior to three years and on auto prior to four years

<sup>4</sup>Can include a house-trailer or light cargo trailer and tools

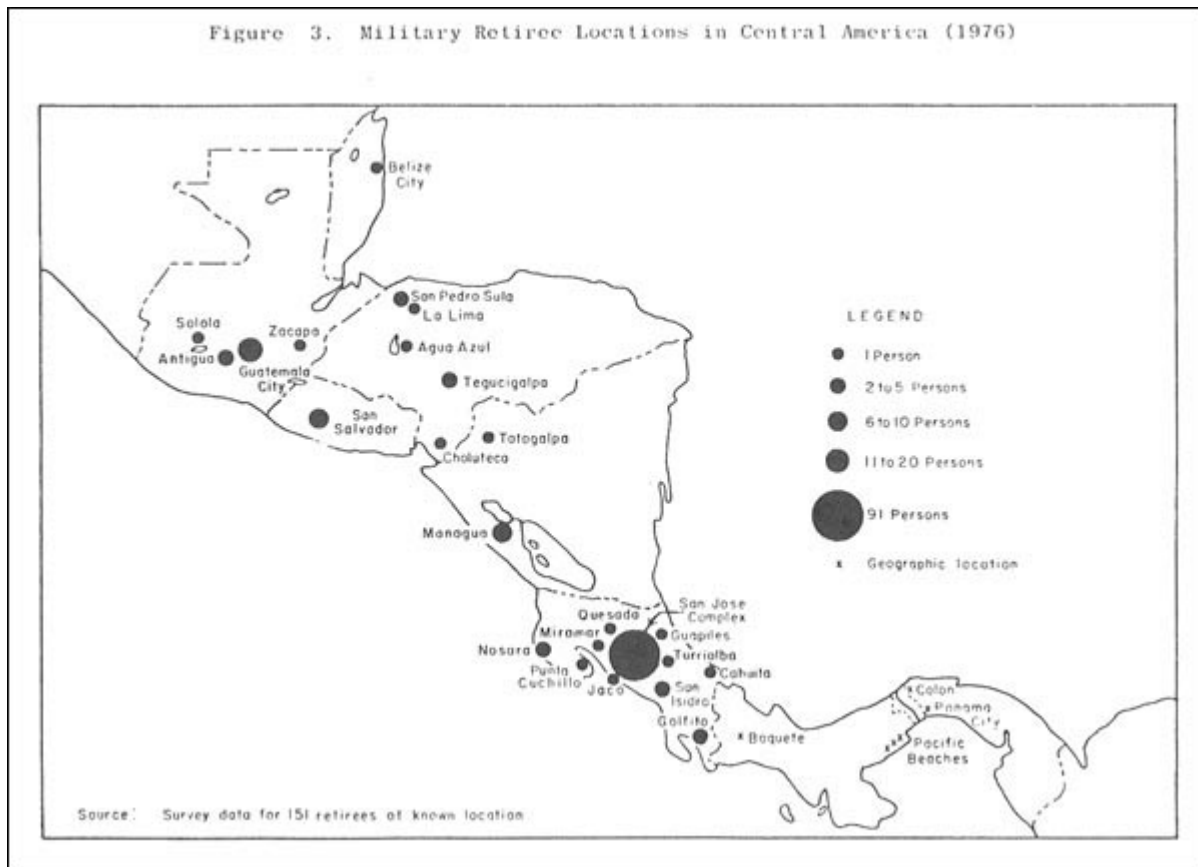
Source: Compiled from information contained in the cited retirement laws, copies of which were obtained from the national agencies handling these programs

To qualify as foreign resident pensioners in Central America, interested persons must have permanent, fixed incomes originating abroad from a guaranteed source, such as government, school, corporation, trade union, or similar retirement fund, of a specified minimum monthly amount. By nation, the monthly minimums range from a low of \$250.00 in Guatemala, including dependents, to a high in Nicaragua of \$400.00 for single retirees, plus \$100.00 additional for each dependent. Nicaragua also specifies a minimum age of 45; however, the status of its retiree law since the recent revolution is unknown, and it is possibly now inactive. The principal benefits enjoyed under these laws pertain to the duty-free importation of substantial amounts of household goods and a motor vehicle, total exemption from income taxes on all income originating abroad, indefinite residency privileges, and retention of national citizenship. Since almost all military retirees qualify, Central America became a new area of penetration for foreign retirement purposes in the 1970s, especially Costa Rica (Frisbee, 1973; Harding, 1973).

### **Retiree Locations**

An examination of this migration in the mid 1970s resulted in the identification of 200 military retirees in Central America, not including Panama. Of this number, 151 were specifically located and interviewed (Figure 3). Among the six nations, Costa Rica is by far the most popular, having 70 percent of the retiree population at that time, with 60 percent located in the San Jose complex itself. In the remaining nations most military retirees resided in the primate cities, i.e., Guatemala City, San Salvador, Managua, Tegucigalpa, and Belize City. The primate cities attracted most, apparently because of the available services and activities that are important to retirees, and few of which exist at other places. Besides the urban areas and their suburbs, where 83 percent of the retirees lived, 10 percent resided on farms, four percent at beach locations, and three percent on ranches.

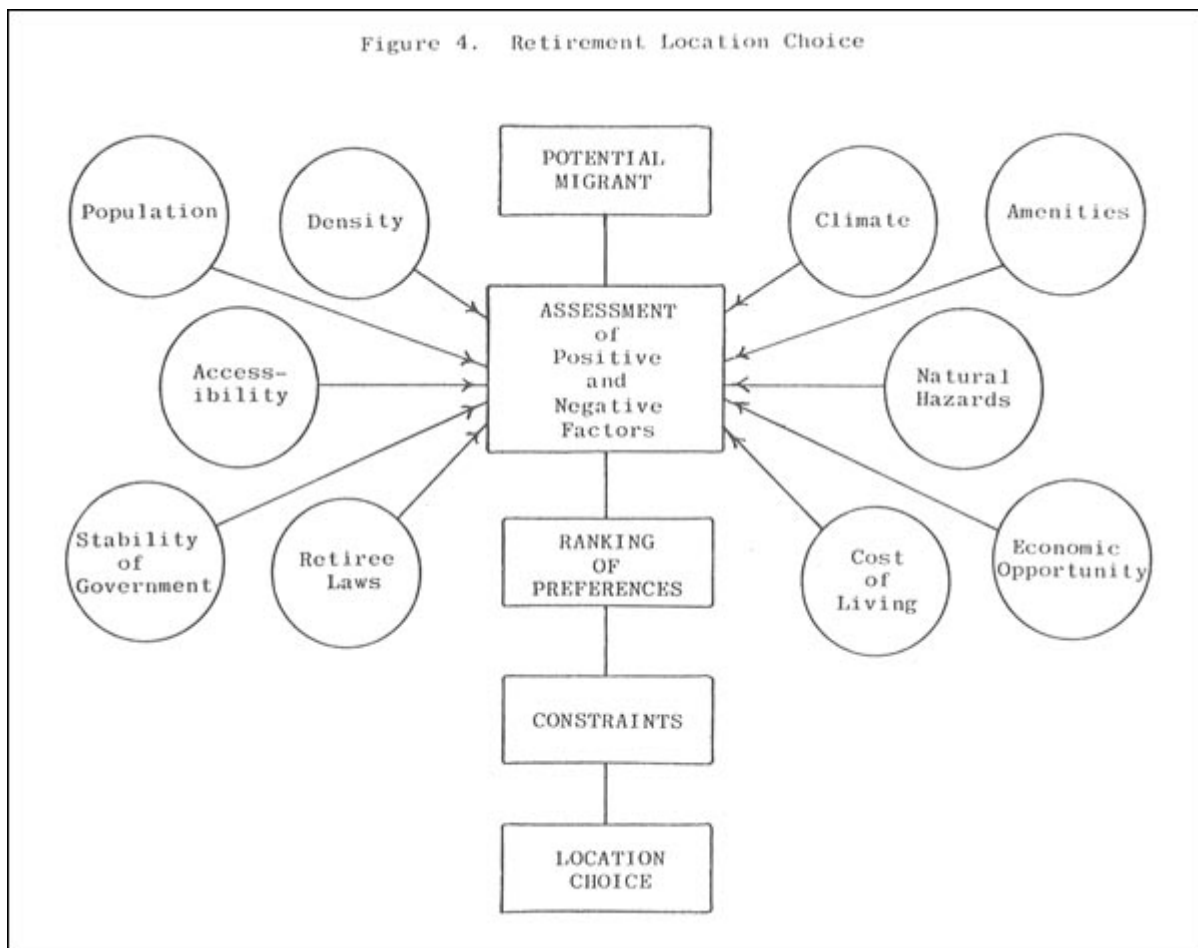
Figure 3. Military Retiree Locations in Central America (1976)



There was no evidence of military retiree clustering within the major settlements. In Costa Rica, however, some locational bias was present in the selection of neighborhoods in San Jose and its suburbs. Although retirees were scattered through that area, most have settled on the eastern or western fringes of the city, in the adjacent community of San Pedro, or in the outlying suburban villages of Escazú and Santa Ana.

### Retirement Area Choice

To ascertain the reasons why military retirees have chosen specific retirement areas, a retirement location choice model was designed to show how a potential migrant might select a retirement site (Figure 4). In this model the potential migrant makes an assessment of certain physical, political, social, and economic factors and, based on this evaluation, ranks his preferences, applies constraints, and then makes a choice. The relevant factors in attracting retirees to Central America are pleasant climate, low cost of living, special retiree privileges, political stability, accessibility to the United States, and social amenities.



According to Ullman (1954), the ideal climates of the world are those of the low latitude-high tableland areas of Latin America and the trade-wind island classes. With the exceptions of Nicaragua and Belize, Central American populations are concentrated in the highland basins and plateaus, taking advantage of this most favorable climate. Military retirees have also been selective in this respect, having settled principally in the Meseta Central of Costa Rica and other highland areas where temperatures remain almost constant throughout the year.

Although living costs in Central America vary little from one nation to another, these costs have been significantly lower than those in the United States, but for the past few years higher inflation rates in Central America have narrowed the gap. For the present, however, that area is still less expensive for retirement, especially in terms of housing, utilities, fresh foods, domestic services, public transportation, and building costs. Despite the fact that living costs in Costa Rica are slightly higher than in the other nations, it still attracts larger numbers of retirees because it provides a wider range of commercial and domestic services and other amenities.



The Central American nations that attract more retirees have generous retirement laws; stable, democratic government; fair immigration and customs procedures; and cordial political relationships with the United States. As previously stated, Costa Rica, Guatemala, El Salvador, and Nicaragua have laws which provide special benefits and privileges to qualified retirees (Table 1). In all of Central America, 72 percent of the military retirees had attained retired resident status under these laws, whereas 81 percent had done so in Costa Rica, thereby attesting to its popularity for full retirement. Moreover, Costa Rica's history of political stability and democratic freedom was found to be a strong factor in favor of its successful foreign retirement program. In the remaining nations, except Belize, which is a self-governing British colony, histories of frequent revolutions, government by dictator, and insurgency have tended to discourage retiree settlement.

All nations of Central America are easily accessible to the United States, although some problems could be encountered at border crossings and during periods of insurgency. There are adequate road systems for travel by private automobile, direct air routes from several United States coastal cities, and "space-available" military air transportation from the United States to the Canal Zone, with connections to the Central American nations by diplomatic shuttle flight. The appeal of Central America to retirees, therefore, is partially attributed to its relative proximity to the United States, especially in comparison with accessibility to South America or other more distant retirement areas abroad.

Amenities such as social, cultural, and recreational facilities; medical care; educational institutions; and commercial and transportation facilities are provided by all the Central American nations, especially in the primary urban centers. A greater variety of amenities that satisfy the needs of North American retirees, however, was evident in Costa Rica, followed by Guatemala, El Salvador, Nicaragua, Honduras, and Belize. This ranking corresponds with that of the total number of military retirees located in these nations.

According to the retiree residents, Costa Rica was selected primarily for its climate, low cost of living, and special retiree privileges. In the other Central American nations, however, job opportunities, followed by climate and nearness to relatives, were most important.

## Retiree Characteristics

Military retirees have a history of frequent moves during their active military service, in which foreign assignments are numerous. The Central American military retiree population had an average of five foreign assignments during their active military careers. Due to this conditioning to movement, it could be expected that former military personnel would continue to move periodically, including retirement migrations to foreign areas. This was the case with the retirees in Central America. It was found that 61 percent of the migrants had at least one previous retirement residence before migrating to their present location. Of that number, 19 percent had moved twice, 12 percent three times, eight percent four times, and two percent were in their fifth and sixth retirement residences.

The short length of retirement residency in the host area indirectly reflects the nomadic nature of military retirees. The median residency period was three years, with 78 percent of the retirees having lived in their retirement location less than five years. The short term residence history is accountable to some degree to the recent popularity of the area for retirement. It is more likely, however, that the turnover of migrants was due simply to the inherent desire of military retirees to move on to new and different surroundings on a cyclic basis. The imposition of tax penalties on those retirees covered by the special retiree laws who depart prior to the mandatory periods force many to remain in-country for three to five years (Table 1), still relatively short periods of residence. A similar study of military retirees in the Lake Chapala region of Mexico revealed an average stay of six years in that area (Allman, 1975).

Retired members of the military are younger than the average civilian retiree, since the military retirement system offers the option of retirement after 20 years of active service. The median age group at retirement for the military retirees in Central America was 40-49, whereas their median age at the time of the survey was 55. In most cases this time gap reflects periods of retirement in places other than Central America. All of the retirees were male. This occurrence could be attributed to chance, since there are far fewer numbers of female military retirees in the total retiree population. The Latin attitudes toward females and the dominant role played by males in that society, however, are more likely to have discouraged female retirees. Moreover, the absence of non-Caucasian retirees in these nations may also be explained by societal attitudes concerning skin color in

## Latin America.

Eighty-one percent of the retiree population was married; additionally, about one-half (48 percent) of these households included dependent children. This high number of retirees with dependent children is perhaps a reflection of those married to native wives (34 percent), who frequently are at child-bearing age. Retirees in Central America are an educated group; at the time of the survey, three-fourths had completed some college work, with 49 percent having received a baccalaureate or higher degree. The education level of their spouses was somewhat lower, 58 percent having attended college. Also significant was the fact that 88 percent of the retirees were able to speak Spanish with varying degrees of fluency. The high level of education may be related to a favored pastime of retirees. It was found that the greatest proportion of their leisure time was spent in reading and writing, followed by socializing and recreation. This ranking of activities was an unexpected finding, since it was anticipated that a young and active retiree group located in ideal year-round climatic areas would devote more time and energy to recreation and other forms of outdoor activities.

The majority (61 percent) of the retirees migrated to Central America for full retirement. This was especially true in Costa Rica where 72 percent of the migrants were fully retired. The retirees who have migrated to Central America to enjoy full retirement are able to do so since they receive substantial guaranteed income, their median annual pension being \$8,900. In a comparison with the average yearly retirement income in 1976 for all United States military retirees (\$6,648), that of the Central American group is significant. More commissioned officers (55 percent) were present than enlisted men, thus accounting for the relatively high income for retirees in that area. It is concluded that lower ranking enlisted personnel with small annual retirement incomes are less likely to opt for foreign retirement, especially in areas that offer few employment opportunities.

Wiseman's (1978, 20) comparison of aged migrants with non-migrants within the United States revealed the following general characteristics:

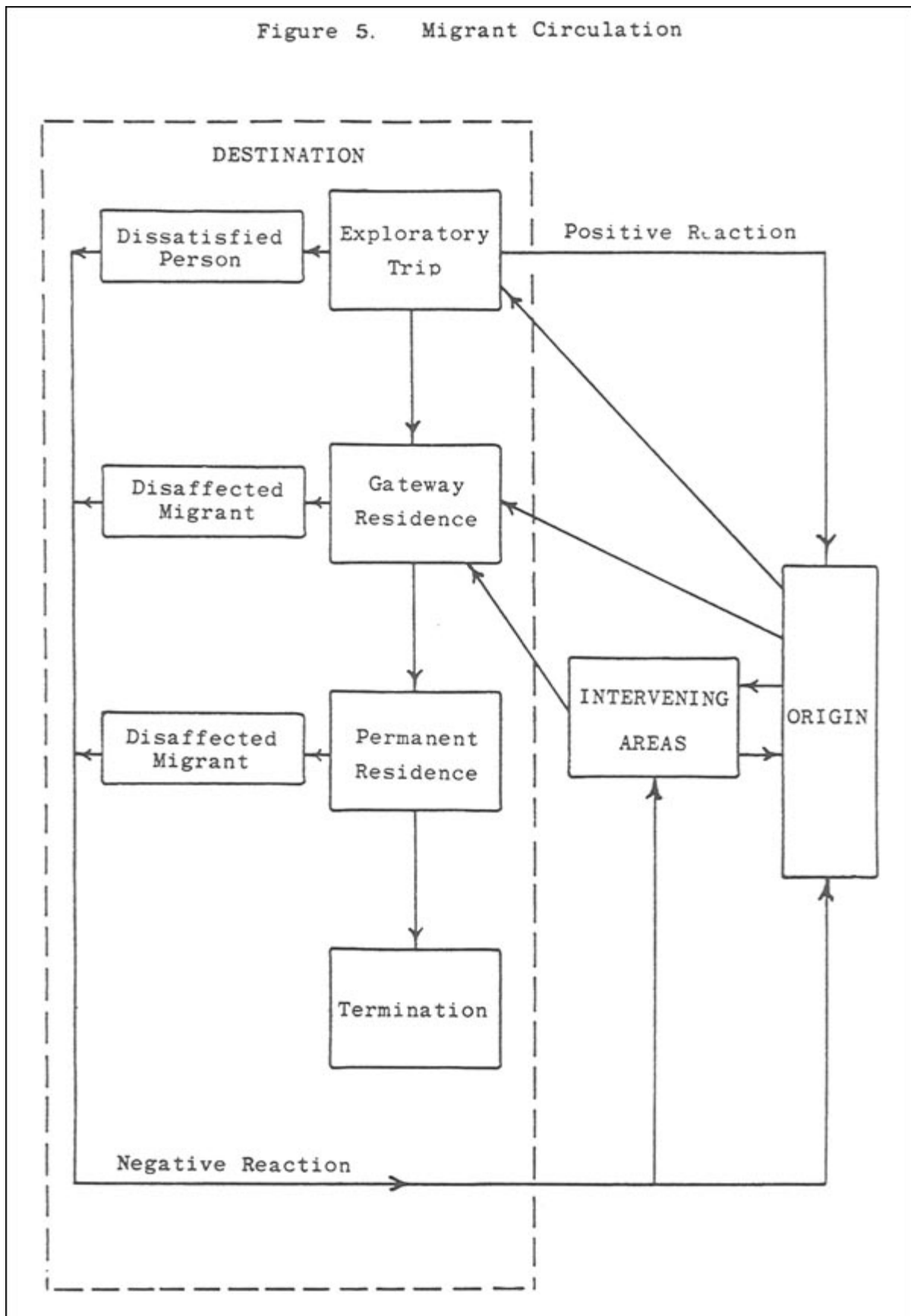
Older migrants also differ from non-migrant elderly. Elderly migrants have higher incomes and educational levels, are more likely to be white and in better health than non-migrants. Their pre-retirement homes are more likely to be found in the suburbs than in other parts of metropolitan areas or in rural areas, and couples are more likely to move than single individuals.

Some interesting similarities of these migrants to the military retirees in Central America are evident.

## **Migration Patterns**

To understand how the Central American migration is effected, a migrant circulation model was designed (Figure 5). In this model, military retirees depart the United States (origin) for a host country (destination) in an exploratory trip to investigate the attributes of that nation, returning to the United States to evaluate their findings. Those retirees not satisfied may act as carriers of negative information, whereas those who decide to migrate may transmit positive information. The satisfied retirees move to the host nation, some passing through intervening areas, to enter temporary living quarters (gateway residence). These temporary quarters provide migrants time to thoroughly assess the area before selecting a permanent residence. Again, dissatisfaction may prevail and the migrant can return to place of origin with minimum loss of time and money. Negative reactions quite likely are carried back to the origin or to an intervening area. Those migrants who decide to take up permanent residence may later become disenchanted and return to the origin, or they remain until death (termination). In the case of Costa Rica, most retirees followed this procedure, 78 percent having visited the area before deciding to move permanently.

Figure 5. Migrant Circulation

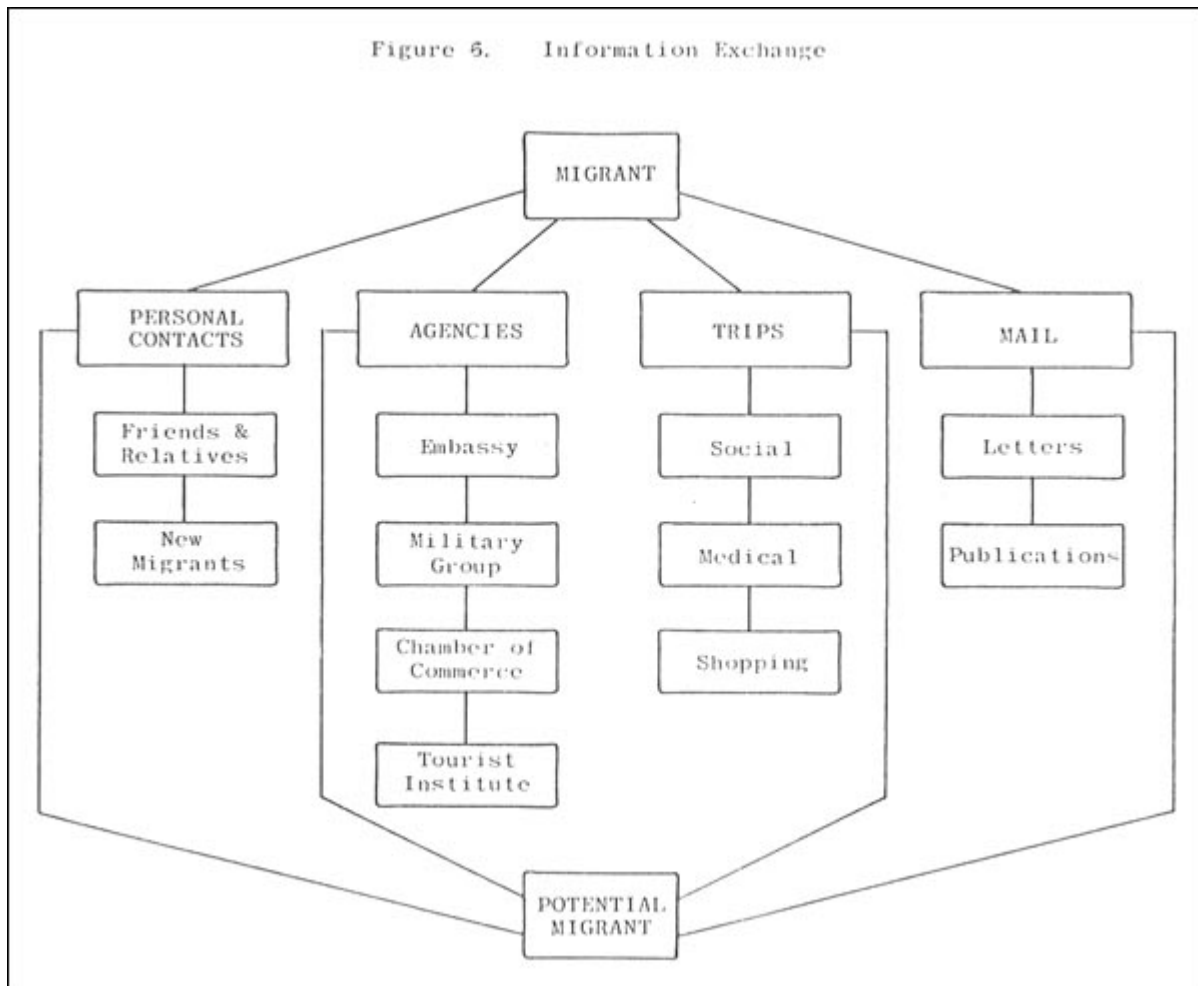


Directional bias was present in the migration streams to Central America. Most

retirees came mainly from the popular retirement states of California, Florida and Texas. These three areas supplied 58 percent of the migrants, with California alone providing 27 percent. The only other important generating area was the Virginia-District of Columbia complex, which accounted for 10 percent. About 15 percent of the migrants were from the major population states of the northeast and the remainder from midwestern and western states. It was found that most retirees in Central America worked for a while directly after retirement from the military, later retired to an amenable area in the United States, and finally migrated to Central America.

Equally important to the actual movement sequence is the method by which information about retirement areas may be received. An information exchange model was developed to show this phenomenon (Figure 6). This model identified the various media and means of interpersonal communication between migrants and potential migrants. It is apparent that larger migrant groups can produce a greater flow of information through all channels to potential migrants. It was found that 60 percent of the migrants had friends or relatives in Central America who provided information, assisted them in the move, and facilitated their accommodation or assimilation into the local communities. These migrants were subsequently "socialized" and they then became providers of information and assistance for new migrants.

Figure 6. Information Exchange



## Consequences

In the Central American nations there was little evidence of an "Americanization" effect upon the host country's cultural landscape. No retirement colonies where retirees might cluster were found, although a few real estate schemes for subdivisions and recreation areas which might appeal to foreign retirees were in a developing stage, e.g., Nosara Beaches of Costa Rica and the San José area of Escazú (Figure 3). Consequently, most retirees have been successfully integrated into their respective host countries and participate in many of the social and cultural activities of their communities, with resulting cross-cultural benefits.

To attract retirees, some areas have provided amenities and commercial services which also benefit the nationals, such as supermarkets, drug stores, restaurants, and recreational facilities. Without these services, the attractiveness of Central America – climate, scenery, and lower cost of living -- could be outweighed by

inconveniences.

Retirees living under the provision of special retiree laws represented a source of imported capital, since their income was derived from outside sources. The dollar input was insignificant in all countries except Costa Rica, because of the few military retirees located in those nations. In Costa Rica, however, this income amounted to over \$1,000,000 a year, a significant amount for a nation of only two million people and where most of the retirees were located in the San Jose area. In addition to the dollar inflow to the economy, the presence of foreign retirees created employment opportunities for nationals, especially in the sectors of domestic help, construction labor, and commercial services.

## **Contribution**

Since there is little previous research on international retirement migration (Krause, 1974; Swenson, 1974; Holder, 1976), this paper offers a modest contribution in this area. It introduces models for use in empirical studies of this nature. Moreover, it describes some general characteristics of retirement-age, international migrants. And finally, it points out the importance of personal interaction and information exchange, as well as the significance of amenities as criteria for site selection.

## **Forecast**

Throughout the 1980s, the active military organization should produce about 45,000 retirees annually (Army Times, 1975,19), some of whom will continue to settle in amenity-related foreign retirement areas. Many of the exotic, inexpensive, and traditionally favored places for foreign retirement, however, have become less attractive to Americans, because recent inflation and the lowered value of the dollar have increased living costs in those areas, offsetting this important economic advantage. Even in Central America this has happened, to a lesser extent. Consequently, as other foreign retirement locations become economically undesirable, Central America, with a relatively lower cost of living and an amenable climate, should increase in popularity, especially since it is more accessible than most foreign regions.

Within Central America, political unrest, insurgency, and terrorism will deter future settlement of retirees in all nations, except Costa Rica. Costa Rica, alone in



this area as a stable, democratic country, will remain popular for retirement, and should further benefit as a recipient of disaffected retirees from the adjoining politically-troubled nations.

## Notes

1. Reference is made to Allman, 1980 for detailed coverage of this subject. The figures and table contained in the paper appear in that publication.
2. Panama was omitted from the survey because of time restraints and the tense political situation over the Canal Zone issue during that period.

## References Cited

Allman, Jr. P.H. *Military Retirees: Settlement in Foreign Lands*. (Cambridge, Mass.: Schenkman, 1980).

Allman, Jr. P.H. "Mexico Offers Climate and Beauty at Increasing Cost to Retirees," *The Harrison Post*, (October 10, 1975).

Army Times. "Retirement Supplement," *Army Times*, (September 1975), 1-28.

Costa Rica. *Regulation of Law No. 4812 and Procedures*. (San José: Instituto Costarricense de Turismo, 1971).

Davis, E.C. "The American Colony in Mexico City." (Doctoral Dissertation, University of Missouri, 1941).

Department of Defense. Unpublished statistical data obtained through personal correspondence with the separate military service departments (1976).

El Salvador. *Ley Especial para Residentes Rentistas, Diario Oficial, Decree 476*. (San Salvador: Ministry of the Interior, 1973).

Fischer, E. *Why Americans Retire Abroad*. (New York: Sheed and Ward, 1973).

Ford, N.D. *Fabulous Mexico*. (Greenlawn, NY: Harian Publications, 1974).

Frisbee, J.L. "Retiring in Costa Rica," *The Retired Officer*, Vol. 29 (1973), 22-25.

Gates, E. "Where to Retire," *The Retired Officer*, Vol. 30 (1974), 22-26.

Guatemala. *Congress of the Republic, Decree 58-73, Law of Retired Annuitant Residents*. (Guatemala City: Guatemalan Tourism Institute, 1973).

Harding, W.P. "Dear Former Friend or Retiree in Costa Rica Revisited," *The Retired Officer*, Vol. 29 (1973), 30-33.

Hargreaves, B.P. "News, Notes, and Comments," *The Retired Officer*, Vol. 35 (1979), 7-10.

Holder, V.H. "The Migration of Retirees to Mexico: A Survey and Case Study of Guadalajara, Mexico." (Doctoral Dissertation, University of Minnesota, Minneapolis, 1976).

Krause, Y. "Consumer Immigration: A Study of the Retired United States Citizens Living in Guadalajara, Jalisco, Mexico." (Master's Thesis, Mankato State University, 1974).

Leonberger, L.B. "A Marvelous Mirage," *The Retired Officer*, Vol. 29 (1973), 22-25.

Nicaragua. National Constitutional Assembly, *Decree 628*. (Managua: Ministry of Economy, Industry and Commerce, National Tourism Office, 1974).

Panama. *Cabinet Decree No. 260 and Executive Decree No. 146*. (Panama City: Instituto Panameño de Turismo, 1970).

Reed, F. "Fading Away in Mexico," *The Times Magazine*, (September 17, 1979), 1-10.

Ross, C.D. *How You Can Invest or Retire in Mexico*. (Larchmont, NY: Business Reports, Inc., 1974).

Scott, T. and S. Dickinson. *San Miguel Residents*. (San Miguel de Allende, n.p., 1969).

Spain. Ministerio de Información y Turismo. *How to Live in Spain*. (Madrid: Ministerio de Información y Turismo, 1974).

Swenson, R.G. "Retired North Americans at Lake Chapala, Jalisco, Mexico: Their Impact on the Cultural Landscape." (Master's Thesis, University of Wisconsin, Milwaukee, 1974).

Ullman, E.L. "Amenities as a Factor in Regional Growth," *The Geographical Review*, Vol. 44 (1954), 119-132.

Wiseman, R.F. *Spatial Aspects of Aging*. (Washington: Association of American Geographers, 1978). AAG Resource Paper No. 78-4.