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Expatriate Life Gets Less Cushy

Perks like drivers and maids are fading fast as a weak dollar and tax-code changes take their toll. Katherine Rosman on the new reality of relocating abroad.

By KATHERINE ROSMAN
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The cushy expatriate lifestyle is increasingly a thing of the past.

Corporate cost-cutting has been eroding lavish packages -- once replete with premium pay and hefty allowances for maids, drivers and schooling -- for some time. Now the falling dollar and changes to the U.S. tax code have sharply eroded the lifestyles of executives and their families posted overseas. The perks of lore are now largely reserved for only the highest level executives or hardship postings like Kuwait and Pakistan.

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The weak dollar is causing much of the pain. The dollar has dropped more than 25% against the euro since the end of 2002 and reached parity with the Canadian dollar for the first time in more than 30 years. It has lost almost half of its value against the Brazilian real since 2003.

The hardest hit are in Europe, where bankers used to regale their envious friends back home with tales of weekend jaunts to Morocco or ski trips to Zermatt. Now all they want to talk about is the cost of laundry detergent and how New York real estate seems like a bargain after house-hunting in London.

Pollution is an emerging worry for families considering a posting in Beijing and other parts of rapidly industrializing Asia. Terrorism and anti-Americanism remain concerns.

The shift comes as companies are sending more executives abroad. London has emerged as a global finance capital, and markets in Brazil, Russia, India and China are exploding. Globally, 69% of multinational companies sent more people abroad in 2006 than in the year prior, according to a survey by GMAC Global Relocation Services.

The movement of American talent to foreign countries began, in earnest, in the mid-20th century. At the time, the appeal of suburban living -- and the rampant consumerism it

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helped cultivate -- was surging. Companies assumed it would be very difficult to compel executives to take their families away from such bounty. "There was a sense of, 'We're going to have to actually bribe these people to go,' " says Carol-Ann Simon, a partner at BDO Seidman LLP, who oversees the firm's expatriate consulting practice. American expats came to expect compensation packages including "mobility premiums" and "hardship pay."



Steve Brodner

Now, says Ms. Simon, "the boondoggle is over."

According to management-consulting firm ORC

Worldwide, the average package given a family of four moving from the U.S. to Tokyo in 1994 was worth 3.6 times the executive's base salary. Today, the same executive's package would be 1.8 times the base.

Three-and-a-half years ago, Shenequa Aranda left Philadelphia with her husband, who works for an oil company in London. He's paid in dollars. Mrs. Aranda keeps a close eye on expenses to avoid dipping into savings. To make the \$2,000-per-week rent, she has given up her weekly hair-styling appointments. But the sacrifice is worth it, as it affords her what Mrs. Aranda considers the apartment's greatest extravagance: "We have separate washer-and-dryer units," she says.

The already complex taxation of American foreign earners has become more onerous in recent years. Americans are taxed based on citizenship, not residency, unlike citizens of most industrial nations. U.S. citizens working overseas typically are required to pay taxes to both the U.S. and their place of residence. Tax legislation signed in May 2006 has complicated the matter further. While high-earning Americans working abroad can still exclude from U.S. taxation part of their foreign-earned salaries, the rate applicable to the taxable portion has increased. Many Americans also have to pay more tax on their housing allowances.

David George, a 32-year-old American living in Paris, who works for a European-based global telecommunications company and has spent 6½ years abroad, says he paid "thousands" more dollars in U.S. taxes last year than he did the year before. "I almost choked when I got my tax bill," Mr. George says.

A year ago, Reja Bakh, a 38-year-old architect, left a high-level position with Richard Meier & Partners in Manhattan for a job in the Shanghai office of Gensler, an architecture firm based in San Francisco. Gensler isn't paying Mr. Bakh much more than he earned in New York, though it did pay some of his moving expenses. And the company agreed to supply him with an annual round-trip ticket home for three years. This year he used it to visit his wife, who stayed behind to maintain her medical practice.

In booming Shanghai, Mr. Bakh has already designed one skyscraper that's under construction and is at work on a plan for a seven-tower complex. "This is not an immense hardship, and I don't feel entitled to a huge expat package," he says. "I came for my career."

To get an insider's view of expat life, we enlisted Wall Street Journal foreign correspondents to shed some light on their adopted hometowns -- the good, the bad and the ugly. [Read their assessments.](#)⁵

Write to Katherine Rosman at katherine.rosman@wsj.com⁶

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Beijing



Housing: One-bedroom apartments in the Sanlitun district, favored by young expats, rent for 5,300-7,500 yuan (\$700-\$1,000) per month. Families looking for more-luxurious suburban homes near the international schools should expect to spend \$3,500-\$8,000 a month. Buying, meantime, has become more complex because the government recently enacted regulations aimed at slowing foreign home purchases. Now, expats must live in Beijing for a full year before qualifying for ownership. Buying often requires a 40% down payment.

Cost of Living: A Toyota Camry costs about \$36,000. A name-brand silk tie goes for approximately \$40. Big Macs go for \$1.70. You will be charged about \$2 for a small latte at Starbucks, \$1 for a quart of milk and 26 cents for a ride on the subway. Dinner at a nice restaurant with a glass of wine can cost \$25 per person.

Downside: Pollution is a significant problem. Levels of nitrogen dioxide in Beijing exceed the World Health Organization's clean-air guidelines by 78%. This June, the city recorded its worst air-quality levels in seven years, with three times the particulate matter of New York City.

Culture Clash: Cellphone etiquette takes getting used to. It isn't taboo to answer cellphones -- even have entire conversations -- while watching a film in a movie theater.

—By Loretta Chao

City	Price of Big Mac in U.S. dollars	Currency per U.S. dollar
Beijing	1.7	7.5082 yuan
Dubai	2.7	3.671 dirham
Hong Kong	1.7	7.7506 HK dollars
London	4	0.4875 pounds
Moscow	2.1	24.863 rubles
Mumbai	N/A	39.526 rupees
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Dubai



Housing: The cheapest villas in Jumeirah, an expat-favored neighborhood, rent for 250,000 dirhams a year (about \$68,000) but run up quickly to \$136,000 or more. In other expat developments, a one-bedroom rental apartment can go for about \$27,000 per year. Almost all rentals require a yearlong lease, paid upfront.

Cost of Living: A basic four-door Toyota Camry sells for about \$21,000. Readily available designer brands cost what they would in New York. A Hugo Boss tie, for example, is \$110. A liter of fresh milk costs about \$1.40. A Big Mac at McDonald's is \$2.70, and a grande latte from Starbucks is \$4.40. Dinner for two at a restaurant with a glass of wine each costs \$55 to \$80, but at some of the more popular nightspots, the tab can quickly add up to \$160 or more. Gas is cheap, with a gallon costing \$1.70.

Downside: The roads are choked with cars whizzing through dusty roundabouts and zigging across five highway lanes at a time. Also, it's hot—up to 113 degrees in August.

Upside: Americans can easily find the comforts of home. English is widely spoken. Movie theaters show the latest Harry Potter film in English and U.S. best-sellers line the shelves of bookstores. The city has excellent restaurants. Some joke about the "Dubai stone"—14 American pounds that are the expat version of the Freshman Fifteen.

Culture Clash: United Arab Emirates is a conservative Muslim country. Modest dress, if not legally mandated, is considered respectful. Rules are also stricter during the holy month of Ramadan, when observant Muslims abstain from food and drink from sunup to sundown. Non-Muslims aren't required to fast, but it's considered insulting to eat, drink, smoke or chew gum in public, or even sip from a bottle of water in your car. Foreigners should also refrain from public displays of affection during this time, as well as singing and playing loud music.

—By Sarah Childress

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London



Housing: A two-bedroom apartment near the American School of London rents for at least £500 (\$1,017) per week (London rents generally are quoted by the week). To buy, a two-bedroom costs about \$3 million to \$5 million. A four-bedroom house rents for \$2,500-\$10,000 a week, depending on location. Kensington and Chelsea, areas also popular with Americans, are even more expensive: A two-bedroom flat starts at more than \$1,600 a week, while a four-bedroom house costs at least \$4,000 a week -- and for that amount, it's likely to be small, dark or on a noisy street.

Cost of Living: A McDonald's Big Mac costs about \$4, a grande latte at Starbucks \$4.66 and a quart of milk \$1.87. A Ralph Lauren tie is \$112, and a four-door Toyota Avenis -- the closest model to a Camry, which isn't sold in Britain -- ranges from \$32,500 to \$46,000. A nice restaurant dinner for two, without much wine, will set diners back \$160 to \$250.

Downside: The ongoing decline of the dollar against the pound has made London even more expensive for expats paid in dollars. As of yesterday, one dollar was worth around 49 pence -- a decline of 16% from the end of 2005.

Upside: Travel to other European cities is easy. London is served by several discount airlines that offer cheap weekend fares to continental Europe. Vacation spots in the Middle East or the Maldives are closer to London than the U.S.

Culture Clash: Brits ask for "the bill" in restaurants, not "the check." They pay for a cab ride by getting out of the taxi and paying the driver through the front window.

—By *Cecille Rohwedder*

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Hong Kong



Housing: Apartments tend to be small and pricey. A two-bedroom apartment in a high-rise in the Mid-levels neighborhood rents from about HK\$20,000 (US\$2,581) to HK\$40,000 (US\$5,161), while purchase prices range from around \$774,000 to \$1 million. Large, Western-style houses are a rarity in Hong Kong and are priced accordingly. A four-bedroom, 4,200-square-foot townhouse might rent for \$32,000 per month, while a 3,500-square-foot detached house is listed for sale at more than \$8 million.

Cost of Living: A standard-model Toyota Camry costs less than \$26,000. A Big Mac costs around \$1.70, a quart of milk \$2.30 and a Starbucks grande latte \$3.90. A midrange dinner for two with some wine would cost about \$230.

Downside: Air pollution has become a major problem in Hong Kong. Last year, Merrill Lynch downgraded its ratings of three large property firms in Hong Kong amid warnings that the city's deteriorating air quality could harm its future competitiveness against cleaner Asian cities such as Singapore.

Upside: Americans who never imagined having household help back home find it commonplace and affordable in Hong Kong. In 2005, there were over 220,000 foreign domestic helpers registered in Hong Kong, mostly women from the Philippines and Indonesia.

Hourly rates for housekeepers are around \$7.70 to \$10. Expatriate families with children usually employ at least one live-in domestic helper. The stipulated minimum wage for full-time foreign domestic helpers is \$450 per month.

Culture Clash: Bring a sweater: Indoor temperatures are kept notoriously low, especially in restaurants, movie theaters and shopping malls. On the city's congested sidewalks, it isn't considered rude to gently nudge aside a slow-moving pedestrian or idling bystander.

—By Sky Canaves

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Tokyo



Housing: Renting a four-bedroom apartment in Minato-ku, an area favored by expats, costs about 1.4 million yen (roughly \$12,000) per month, up 40% from five years ago, according to a local real-estate agent. Rents are expected to continue rising. Most people who rent superexpensive apartments can avoid making a customary payment, called key money, that's equivalent to two months' rent just to move in. But they'll be required to post four months' rent in deposit.

Cost of Living: A new Toyota Camry starts at about \$21,000. A Paul Smith tie costs about \$135. A McDonald's Big Mac costs \$2.47, a grande latte at Starbucks \$3.49 and a liter of milk, \$1.77. A meal for two without wine or drinks will likely run between roughly \$65 to \$85 per person. But a hearty bowl of Chinese-style noodles can be had for about \$6.

Downside: English isn't widely spoken. Ninety-nine percent of Japan's 127 million citizens are of Japanese ethnicity, so foreigners tend to stick out.

Upside: Japan's "bullet trains" can get you to even the most remote parts of the country in about eight hours. Great day trips abound. From downtown Tokyo, travel to the Gala Yuzawa ski resort takes less than two hours.

Culture Clash: Pedestrians faithfully obey walk/don't walk traffic signals. Locals love mayonnaise and corn on their pizza.

—By Andrew Morse

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Sao Paulo



Housing: An old, 1,000-sq.-ft., two-bedroom apartment in a building with a doorman and swimming pool in expat-friendly neighborhoods will rent for around 2,200 reals (about \$1,200) a month. Newer apartments in the same neighborhood will go for around \$2,000.

Cost of Living: Thanks to Brazilian automotive taxes, a new Toyota Camry retails for about \$80,000. A Ralph Lauren short-sleeve shirt runs about \$85. A Big Mac costs \$4.10. A liter of low-fat milk costs \$1.10, while a grande latte from Starbucks costs \$3.70. At a nice Italian restaurant, dinner for two with a few glasses of wine might cost you about \$75.

Downside: Few countries have seen their currencies appreciate against the dollar faster than Brazil. The dollar has lost nearly half its value against the Brazilian real since 2003. Someone making \$55,000 a year in 2003 would have made 192,500 Brazilian reals. Now that salary is worth 99,000 reals. Safety is another issue. In mid-2007, members of the PCC prison gang went on a rampage throughout Sao Paulo, killing cops, burning buses and stalling traffic. Civil police officers stood outside their barracks at all posts in the city, armed with pump-action shotguns and bullet-proof vests.

Upside: Though on the rise, buying real estate is still much cheaper than in the U.S. It's possible to find a family-sized apartment in a nice area for around \$194,000.

—By *Kenneth Rapoza*

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Moscow



Housing: Renting a three-bedroom house in the Rosinka residential complex starts at about 248,000 rubles (\$10,000) a month, rising to \$17,000 for a five-bedroom house. A decent two-bedroom apartment in the city center ranges from \$3,000 to \$10,000 per month.

Cost of Living: Moscow was recently named the most expensive city in the world by Mercer Human Resource Consulting. A four-door Toyota Camry retails for around \$35,000. A silk Ralph Lauren tie goes for between \$160 and \$480. A McDonald's Big Mac costs about \$2.10, while a liter of milk starts at \$1.40, though in some supermarkets in the city center you could pay a lot more. Expect to pay around \$120 for a meal for two with moderate wine consumption. At least vodka and cigarettes are cheap: A half-liter of Putinka vodka goes for \$5.20, and a pack of Marlboro Lights are \$2.

Downside: Anti-Americanism is in fashion; attacks against nonwhites are a disturbing problem. There have been 21 racist killings and 111 racist assaults in Moscow so far this year, according to the independent Sova center, which monitors such violence.

Upside: Russia levies a flat 13% tax on expatriates' world-wide income, one of the lowest non-tax-haven rates in the world. Plus, Moscow is very cosmopolitan, with a huge variety of restaurants, nightclubs and world-class museums.

Culture Clash: Service with a smile is a concept that Muscovites have embraced sparingly—and they're similarly cool on issues of personal space. Expect to be pushed, elbowed and shoved on the famously efficient subway.

—By Andrew Osborn

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Top 10 Most Expensive Cities

Rankings March 2007	Rankings March 2006	City	Country	Cost of Living Index March 2007*	Cost of Living Index March 2006*
1	1	Moscow	Russia	134.4	123.9
2	5	London	United Kingdom	126.3	110.6
3	2	Seoul	South Korea	122.4	121.7
4	3	Tokyo	Japan	122.1	119.1
5	4	Hong Kong	Hong Kong	119.4	116.3
6	8	Copenhagen	Denmark	110.2	101.1
7	7	Geneva	Switzerland	109.8	103
8	6	Osaka	Japan	108.4	108.3
9	9	Zurich	Switzerland	107.6	100.8
10	10	Oslo	Norway	105.8	100

*Base City: New York, USA (=100)

Note: Mercer's annual Cost of Living Survey covers 143 cities across six continents and measures the comparative cost of over 200 items in each location, including housing, transport, food, clothing, household goods and entertainment

Source: Mercer Human Resource Consulting

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