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The Expat Life Gets Less Cushy For U.S. Workers Based Overseas

By **Katherine Rosman**

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The cushy expat 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.

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.

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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 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."

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.](#)

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