

STRUDWICK
Wealth Strategies
“Innovation Equals Opportunity”



**THAR'S GOLD IN 'DEM
THAR HILLS**

By Barry Strudwick

SPECIAL REPORT INCLUDES:

INVESTMENT OPPORTUNITIES IN
CENTRAL AMERICAN REAL ESTATE

...PLUS TWO NEW THOUGHTS FOR THE NEW AGE

Have you ever tugged on a thread to see where it would lead you? For years Costa Rica was like one of those threads in my life. Every year friends would tempt me with the wonders of Costa Rica, but there never seemed to be the right convergence of time and opportunity to follow the thread and find out what was at the other end. That is, until last summer when I finally just hopped on a plane with no other purpose than to explore the potential. What I found was a stunningly beautiful country, vibrant economy, wonderful people, and a host of other *gringo* investors following their instincts. This thread is beginning to glisten and as they said 150 years ago about the American West, “Thar’s gold in dem thar hills!”

We’re now seeing a whole tapestry of opportunity being woven as several other threads we’ve been following are starting to form a pattern. With four trips to Costa Rica now under our belts, our enthusiasm continues to grow.

Two years of a bear market and people are growing disillusioned with the paper assets of Wall Street. This perception isn’t being helped by daily scandals from *Enron*, *Arthur Andersen*, *Merrill Lynch* and a cast of dozens more. A growing chorus of people is saying they want more control over their investments. Hard assets like real estate are getting more attention.

Add to this the vast horde of baby boomers marching in lockstep to retirement. Each passing month amplifies the economic realities of the finite horizon to retirement. Have I saved enough? Can I get the types of returns I’ll need to retire? Will the stock market come back? These questions are being asked daily by millions of people. While, riding out the dips in the market is nice on paper, the specter of retirement is looming and growing. Investors want to get in front of a major trend and the stock market seems stuck in the mud. While we still believe that the stock market should be the core of all retirement strategies, there is always a place for some alternative investments. Over the past several years we’ve tried to spot some emerging trends and encapsulate their investment ramifications into our series of “Thoughts for The New Age.” Here are our latest musings:

Thought #48. Post 9-11 the U.S. aura of “safety” has been shattered. Look for Emigration out of the country by Americans to create major investment opportunities in retirement destinations. Seek out opportunities to get in front of this massive wave. Take Advantage of the strong U.S. dollar to purchase non- U.S. assets.

In the past we’ve talked *Immigration* with foreign brainpower fueling our explosive technological growth. ***But for every action there is an equal and opposite reaction.*** There is also a small but growing migration of U.S. retirees out of the United States to places like Mexico and Costa Rica. Getting in front of this growing flow will create investment opportunities.

What started as a trickle of adventurers is becoming more mainstream every day. It’s no longer surfers and Indiana Jones *wanna-bes*. Former U.S. Ambassador to Costa Rica, Louis Guano told me recently 48,000 American retirees have direct deposit of their Social Security checks into Costa Rican banks. Unofficial estimates are that as many as 300,000 Americans are living in Costa Rica either full or part time. That’s in a country the size of West Virginia with a population of 4,000,000.

So the obvious question to ask is “*why*”? First off, it’s ***not a tax issue*** because U.S. citizens are taxed on worldwide income and very few of these people give up their U.S. citizenship. Instead, they simply become either a full or part-time “*resident*” of another country. While a lower cost of living is part of the equation, the days of having a staff of servants for

\$2 a day are long gone. My guess is “*quality of life*” is the driving issue. Post 9-11, the myth of “being safe” in the good ole U.S. of A. is gone. With high crime levels in the cities and road rage in the suburbs, having a cottage in the Cloud Forest of Costa Rica or a condo on the beach in Belize doesn’t seem like such a kooky idea anymore. Especially when you’re only 6 hours and \$600 roundtrip ticket away from home. Last year Costa Rica had a total of 47 murders in the whole country. That’s a good month in the Baltimore-D.C. area where I live. Health care? A very manageable issue. For example, Baylor University has a hospital in San Jose. ***With a lot of folks fed up with the stock market and seeking hard asset investments like real estate, getting in front of this emerging emigration trend is a powerful idea.*** Investment in real estate is the logical first play for the investor with a sense of adventure and also a willingness to do some homework. After all, there are alternatives to playing shuffleboard in Sun City or Mah Jong in Miami.



View from the Marriott Los Suenos Resort

Thought #49. Central America is poised to benefit from this increasing flow of American Émigrés. Look for investment opportunities to radiate out from the most stable countries of Costa Rica and Mexico to Panama, Belize, El Salvador, and Nicaragua.

As usual the mainstream media is missing the story. Thanks to Ted “The Red” Turner and CNN, they’ve focused our attention on *Cuba* and the Castro death watch. Investment opportunity in Cuba? Nice cigars, but last time we looked, it was still a Communist dictatorship with no history of private land ownership. But this might be a good factor because it’s held a lot of money on the sidelines. Instead, we say look for where *democracy* is already in action and there is a track record of dealing with U.S. investors. Costa Rica and Mexico are the most stable, but even *Nicaragua* has now had twelve years of democracy and three peaceful elections. The second tier countries like *Belize, Panama, El Salvador, and Nicaragua* have significantly higher risk-return opportunities because most investors have stayed on the sidelines. The 10-bagger opportunities are still there. But forget about the pre-conceived notion of Banana Republics or Juan Valdez and his donkey. Also, you can leave the Indiana Jones hat and bullwhip at home. These are rapidly emerging countries with cell phones and satellite TV. You can rent a car from Hertz or Avis for \$40 a day, your *Visa* card is accepted just about everywhere and you can get by speaking English.



Manuel Antonio Cove, Costa Rica

They also have an abundance of inexpensive land, fantastic climate, and a

natural beauty that is like living on the Discovery Channel.

Upcoming Speeches:

May 15	Baltimore, Maryland AAII Chapter Insurance Without Friction
May 28- June 2	Managua, Nicaragua CAIIS Conference Tour of Grand Pacifica Project
August	Ambergris Caye, Belize Georgetown Trust Conference
September 15-18	Jaco Beach, Costa Rica Whitney Education Advanced Asset Protection Seminar Marriott Los Suenos Resort

A pattern of investment opportunity has emerged that’s so obvious it’s hard to ignore. In fact, we think it’s the *Template for Successful Investing in Central America*. A brief travelogue of my last trip will help put this into perspective.

The first leg of my trip was to speak at an *Advanced Asset Protection* seminar in Costa Rica sponsored by *Whitney Education*. Held at the beautiful *Marriott Los Suenos Resort* on the Pacific Coast, the conference lasted five days and featured speakers included the Vice President of Costa Rica, real estate legend Russ Whitney, and renowned architect, Ron Zurcher. The audience was comprised of real estate development entrepreneurs from the States looking at how to invest in Central America. Because the private mortgage market is virtually non-existent, in Costa Rica I was asked to speak on our *Omni Asset IRA* strategy, which can be used to make investments in foreign real estate with your pre-tax IRA plan dollars.

Whitney Education's thrust was to get attendees beyond the talkin' and dreamin' stage by introducing the attendees to a "**Power Team**" of professionals to assist in actually purchasing offshore investment real estate.



*Barry Speaking
at Russ Whitney Seminar*

This was my fourth trip to the **Los Suenos Resort** and it's a critical factor in understanding our Central American real estate strategy. With \$40 million of condos and lots sold in the past two years, **Los Suenos** is the poster child for successful Central American real estate development. This is an 800-acre condo development centered around a **Marriott** resort hotel, golf course, and marina. These aren't mud huts with thatched roofs perched on the side of a volcano either. Condos start at \$250,000 and go to over \$2 million. 95% of the purchasers are American. The **Los Suenos** model is simple: build a brand name resort hotel on a 100 acres and the value of the surrounding real estate lots and condos skyrocket. Profit margins are super when you can acquire land for \$2,000 an acre and sell quarter acres for \$100,000. As we'll see later, it also could be the template for future successful investing. With the hotel as the anchor to the strategy, it's imperative that it be done

first class. Ron Zurcher, the architect, has captured the scale and majesty of the Spanish colonial period in the project. He is a pivotal player in the success story and in our template strategy. Without question, he is the top architect in Central American resort projects. Another one of his projects was just selected as the "**#1 Secret Hideaway Resort**" by an international travel publication. As for other projects, he's also doing a new **Four Seasons** in northern Costa Rica that's nearing completion, another project 20 minutes from **Los Suenos** called **Rancho Monterey** and a third project in Nicaragua called **Grand Pacifica**. In the past 12 months, *we've uncovered investment opportunities at all three of these projects. Each project offers it's own unique risk-reward profile.*

Right now Costa Rica is booming with "early adopter" American retirees. As we said earlier, throw aside the Banana Republic image of Costa Rica. Costa Rica abolished its army in 1949 and dedicated those resources to education. This progressive experiment has paid off handsomely as Costa Rica has not only the most stable political environment in Central America, but also its most highly educated work force. **Here's a surprising stat:** The number one export from Costa Rica? ...Ahead of both coffee beans and bananasIntel microprocessors! Three years ago Intel opened a huge chip plant in San Jose that now exports over \$5 billion of chips a year. Some ex-pats mark time in terms of 'BI' or "Before Intel" because of the incredible boost it's given to the economy. Manufacturing is booming in the area around the airport where land now sells for \$500,000 an acre. Costa Rica

has also tied its future to developing “*eco-tourism*” linked to its incredible natural beauty. Volcanoes, world class fishing, tropical rainforests.

Forests, and pristine beaches are all within two hours of San Jose. No question, Costa Rica is booming.



Costa Verde, Costa Rica

Two Big Questions: Is it too late in Costa Rica? And how do I participate?

The answer to the first question is “no” unless you consider 1965 to be too late to have invested in Florida. Sure, a pre-Disney 1955 would have been better, but we are where we are. The answer to the second question is also favorable.

Depending on the level of risk and involvement you want, the investment options run the full spectrum. If you just want to put your big toe in the water, a good friend is putting together *time-shares at Los Suenos*. This might be a good base of operations to investigate other opportunities.

If you’re the type inclined to get your hands dirty and “do it yourself,” you can hop a flight and start checking out parcels of land yourself with a real estate agent. Every morning the lobby of the *Hampton*

Inn by the San Jose Airport is full of people doing just that. We can hook you up with several first rate real estate agents in different parts of the country. But if you aren’t inclined to master the nuances of real estate development in a foreign country, we have *several options for you to consider*.

At the Whitney conference I was able to spend two days with *Robert Demes*, an American Ex-pat who moved to Costa Rica 22 years ago. Robert is project manager for another Zurcher designed project called *Rancho Monterey*. Just 20 miles down the Pacific Coast from *Los Suenos*, *Rancho Monterey* is a luxury-gated community located on 2,000 acres with Polo fields, equestrian facilities, conference center and its own airstrip. Four phases will be developed over the next 10 years. Phase One is already underway and construction is already started on a convention center and is running 16 days ahead of schedule. Here’s the distilled scoop on why *Rancho Monterey* is exciting right now:



*Road to
Jaco Beach, Costa Rica*

Currently both *Los Suenos* and *Rancho Monterey* are a good 2-1/2hour drive from San Jose (where you fly in from the States) over a winding mountain road.

Of course the drive is longer if you get into a “Costa Rican standoff” at any of the several single lane bridges along the way. BUT a *new highway* is just about completed, which will cut the drive time down to 45 minutes! This is the *catalyst* to unlock the real estate values on the central Pacific Coast.

The opportunity at *Rancho Monterey* is to purchase lots in the development at wholesale prices and build for yourself on spec or bank and flip prime lots. Ron Zurcher told me construction costs are less than 2/3’s of the comparable finished cost here in the United States. So a \$225 per square foot top of the line luxury condo in the States costs about \$120 a foot in Costa Rica. More standard homes can be built for about \$55 a square foot.

At *Rancho Monterey* it’s possible to essentially purchase lots wholesale and look to natural growth and the incredible marketing machine of the Whitney organization to drive demand. Robert Demes also discussed with me several “sub developer” opportunities for people with both the experience and desire to undertake an entire phase of the project. We’ll be returning to the *Rancho Monterey* project in mid-September when we speak at the next Whitney seminar at *Los Suenos*.

This all begs the simple question of “How do I do it?” While the financial infrastructure of Costa Rica has come a long way, you’ll find that there is no mortgage company to lend to “non resident” Americans. This means you have to make your investment with cash. The same applies to other Central American

countries. Here’s where our *Omni Asset IRA*™ strategy comes in. Using this strategy you can purchase foreign investment real estate with the pre-tax dollars of your IRA account to make the purchase. Pretty nifty idea if we do say so ourselves, and a mission critical tool that is invaluable in markets where you can’t get a commercial mortgage.

If you’re banging your head into the wall saying, I shoulda’ gotten into Costa Rica five or ten years ago...don’t fret, there is still plenty of upside left and a wide range of investment options ranging from time-shares on luxury condos at *Los Suenos* to buying raw acreage.

But if Costa Rica is too developed for your taste and you want to have a chance for truly exceptional upside potential, opportunities abound in Belize, Panama, and Nicaragua. Of course, you also can assume the risk of a less developed country, but that’s part of the tradeoff.

Belize is said to be very similar to what Costa Rica was ten years ago.

To check out the potential firsthand, after the Whitney conference, I flew to a smaller, more intimate conference on *Ambergris Caye* in Belize. In contrast to the rugged beauty of the rain forests and mountains of the Costa Rican Pacific Coast, *Ambergris Caye* gave us snow-white beaches, turquoise water, great diving, snorkeling, and again world-class fishing. This conference, sponsored by *Georgetown Trust*, was centered on a special program Belize has initiated to attract U.S. retirees, at least for part of the year.



Ambergris Caye, Belize

In a coconut shell, suppose you have **offshore income** that you'd like to shelter from U.S. taxes. Although U.S. citizens are taxed on worldwide income, you can exempt \$78,000 if you are a "**resident**" of another country even though you are still a U.S. citizen provided you are out of the U.S. over 6 months. In Belize you can qualify as a "resident" while only staying there as little as **2 weeks a year**. This offers some interesting **planning opportunities** for people who would like to split their retirement years between the States and other homes outside the country; not necessarily in Belize. If you're interested in learning more, we'll put you in touch with the right people.

Our topic at this conference was a new advanced planning idea using **Offshore Insurance Policies**. With the same asset protection and tax advantages as plain old vanilla domestic policies, some offshore policies offer the advantages of greatly increased investments and also premium payment flexibility. In fact, with some policies, you can actually use stock to pay your premiums and also invest in offshore real estate. Try running that one by your local State Farm agent! Keep an eye out for a **new report on Offshore Insurance** which will be available on our website

shortly. We'll include some advanced planning opportunities as well as some do's and don'ts.

Since this was an exploratory trip to Belize, we didn't have enough time to research the local real estate opportunities. What we saw looked very nice, but we know there is a lot more to explore. We'll be back for **another conference in August**. On this next trip we hope to explore real estate opportunities on the mainland as well as the extensive **Mayan ruins** and jungle. Let us know if you'd like to attend. This will be a smaller conference with about 10 attendees and plenty of time to snoop around.



Caulker Caye, Belize

What's the old adage about **opportunity knocking**? While at the Belize conference I had time to meet extensively with an old friend, **Mike Cobb** who is head honcho of an exciting project with strong parallels to both **Los Suenos** and **Rancho Monterey**. But this time the opportunity is to enter on the ground floor...in **Nicaragua**. If Belize offers the opportunities of Costa Rica ten years ago, Nicaragua has the potential of twenty years ago!

Mike's project is **Gran Pacifica** a 2,300-acre parcel on the Pacific Coast with a Zurcher designed **Marriott** resort set to

break ground in November. ***This is an opportunity to invest in the stock of the entire development company***, not just purchase finished condos or lots.



Pacific Coast

The Scoop on Gran Pacifica

The 2,300 acres with four miles of beachfront was purchased for cash last year. Ron Zurcher has been retained as the architect for the project, which is set to break ground in November. The government has approved the site plan and environmental impact plan. Ernst & Young has completed a glowing market research report. If you're concerned about political risk, an American title company will issue policies on lots with a government expropriation clause. For an exit strategy, the company is planning an IPO on several Central American exchanges. We will be attending a conference on the IPO and then going to visit the project at the end of May. The President of Nicaragua will be the keynote speaker. This project also has a very favorable structure for U.S. tax reporting. The window of opportunity here is short. If you're interested in attending the conference, please ***contact me immediately.***

The Range of Opportunities

<i>Los Suenos</i>	<i>Purchase condos and time-shares</i>
<i>Rancho Monterey</i>	<i>Purchase whole lots</i>
<i>Grand Pacifica</i>	<i>Purchase stock in development company</i>

I hope you see both the similarities and the differences in these projects. Each is a fantastic opportunity with it's own level of risk and reward. If you're looking to round out your investment strategy, let us know.



While talking about Central America is fun, especially during this glum period on Wall Street, we'd be remiss in not updating you on several developments since our last newsletter

while shedding some light on a couple of the reasons people are getting fed up with Wall Street.

Last quarter, we gave advanced warning about the load of downward earnings revisions as the ***“cockroach effect”*** took hold. As predicted the bad reports and write offs are crawling out of the woodwork ***IBM, GM, GE*** and on down the line are all “restating” past earnings.” In addition, the heat has been turned up on the Tin Men of Wall Street, the unscrupulous “sell side analysts.” You know the guys with the moussed hair and snappy suspenders who jet around the country “researching” companies and then writing glorified book reports telling us to buy the stocks. We've been ranting about the inequities of this system for years and finally the media has started to ***gang***

tackle these guys. Most recently the New York Attorney General has entered the fray. This is a huge story and if the Catholic Church weren't getting raked over the coals every night, this would have been the lead story for the past several weeks.

The details coming out of the New York Attorney General's office are very telling...let me rephrase that...they're shocking and show the absolute disregard for the small retail investor that we've always suspected. *It's why buying individual stocks is a sucker's game.*

Consider this: The nation's largest retail brokerage firm during the entire Internet craze never ever issued a single **SELL** recommendation or even a **Reduce Holding** rating on any Internet stock. During this time they also received hundreds of millions in investment banking fees from these same companies. After reviewing over 30,000 internal **Merrill Lynch** e-mails, the Attorney General found what they called "Routine" references to the companies as "Junk" and "Powder Kegs," yet still urged retail investors to purchase these so they would capture the fat investment banking fees. The reason is simple, **Merrill Lynch** might make 3 cents a share on an institutional trade of an existing stock, but it will make over \$3 a share on a new stock offering. You do the math.

This scandal is far broader than simply Internet stocks. The same day this story broke in the *New York Times*, Merrill Lynch announced it would...can you believe this one?...**START** linking its analysts' pay to the performance of the

stocks they pick. That same day, *The Times* ran a listing of **Merrill Lynch's** 20 largest holding with a year to date performance thru April 10th. By definition, these core holdings of America's retail investors.... folks like you and me. Now here's the punch line18 of the 20 stocks showed a loss thru April 10 with the average stock down 17.7%, while the S&P 500 was down only 2.5% over the same period. The joke's on us and Mother Merrill is laughing all the way to the bank!

Now let's take this to the next step...If the Attorney General is starting to rip through your e-mails and records, do you think there might be a "downward earnings revision" or two in your earnings projections over the next several months? You betcha!!!! What if you're an analyst at any of the other six firms whose records have already been subpoenaed? To add insult to injury, Citicorp's **Salomon Smith Barney** has now claimed to have "lost" all their e-mails...The tawdry legacy of Bill & Hill lingers on.

Our Recommendation

Dump your stockbroker today! He might be a great guy but he's captive to a wretched system. Instead, work with an **independent advisor** to create and monitor an overall strategy using a combination of "Exchange Traded Index Funds" and mutual funds. He won't be able to outwit the market, but he could add value by helping you to focus on your retirement and planning needs. As always, **feel free to call or e-mail** if you want to discuss your situation in confidence.

Something to consider

The Wall Street Journal
is read by people who run the country.

The New York Times
is read by people who think they run the country.

The Boston Globe
is read by people whose families used to run the country.

The Washington Post
is read by people who think they ought to run the country.

USA Today
is read by people who think they ought to run the country if they could only understand the Washington Post.

The Los Angeles Times
is read by people who wouldn't mind running the country if they could only find the time.

**Mutual Perspectives can be heard
Sundays at 4 p.m. on 88.1 FM WYPR
and is simultaneously web cast on
wypr.org**

Strudwick *Wealth Strategies*

*offers personalized
private account management
starting at \$100,000.*

*We also offer insurance counseling
and planning consultation on
a fee basis.*

*Please call (410) 727-6444 or toll free
1(866) 4-NOLOAD.*

Please feel free to pass this on to a friend
or even give us a call to discuss.

Barry Strudwick
invest@noload.com

*Published May, 2002
© 2002 Barry Strudwick
Contents of this special report may not be reproduced without the
expressed written consent of Barry Strudwick.*

Strudwick Wealth Strategies
12 East Eager Street - Baltimore, Maryland 21202
Tel. 410. 727. 6444 - invest@noload.com