

## Background

July 2016

I am an American citizen who came to the Philippines in 2001 as a tourist. For several years I traveled to the Philippines every year staying a minimum of one month and sometimes up to six months.

I have traveled to Mindanao, Palawan, Northern Luzon, and almost all the Visayas.

In 2004 I married a Filipino and started planning my move from Michigan to Philippines. It took longer than I thought to develop a solid plan and sell my business. In 2009 I moved to Philippines as my new permanent home.

I currently live in the Visayas not far from the resort island Boracay.

## Introduction

I have seen a lot of foreigners talking about the cost of living in the Philippines and decided to do my own e-book and worksheet.

I see people making all kinds of broad statements about how much it costs to live here. I suspect the majority have not done much careful planning and so they reject some people who claim they can live for much less than that. Sometimes these expatriates become quite vocal, insisting it cannot be done.

So I put it in black and white so everyone can see for themselves.

This is the most extensive, careful and thorough budget you will find anywhere on the Internet about the cost of living in the Philippines. This model can actually be used in other countries as well.

I have broken down the expenses by various categories to make it easier to understand and budget. This technique is also unique.

There are what we call in business startup costs. Things that you have to buy just to get started living here. Most people overlook this because they have many of these things in the country they came from.

Many foreigners get confused because they just lumped them together with their monthly living expense. It's not necessary that you purchased all of them at once, you can buy them as you go along, but by breaking them out separately, it's easier to understand and budget.

So we have startup costs, monthly costs, weekly costs, yearly costs and nonrecurring costs.

One of the reasons that we have so much confusion about the cost of living is because it's very heavily dependent on where you live. I have segregated these budgets by three different areas.

The big city, that would be Manila or Cebu or something like that. There are many foreigners who like to live in the big city, I personally do not.

Smaller cities, there are hundreds of these in the Philippines, and rural areas. Rural areas can be anywhere from 20 to 100 km from the bigger towns. Very few foreigners like to live in the rural areas because of the lack of services and medical treatment. But it is much cheaper lifestyle.

For this budget I am assuming that you are traveling the Philippines on a non-tourist visa. If you have a tourist visa, for some other type of visa, you will have to adjust the worksheet accordingly.

If you need help on that I am available to guide you.

### Start up costs

Let's start with the visa. While it's not the most expensive start up cost is the first priority. A retiree visa is available at different rates depending on your age. If, you have the savings and you qualify for a retirement visa, that's something I would highly recommend.

People are considered senior citizens at age 60. The local people receive a discount card that they can use when shopping or eating. It provides them with a 20% discount. Some foreigners are able to receive a senior discount card, but not all. I would not count on it.

If you are marrying a Filipino the standard visa is called 13a. I have a 13a visa. It also allows me to work. There is no way a foreigner is going to get a job in the Philippines, unless some big company in Manila contracts for that work. That's .01% of the foreigners here. You're not going to find a job. But being able to work allows me to be involved in small business. If I want to set up a small business in my wife's name, monitor and supervise it, I can do so. There is a story of a foreigner here in my town who set up a very successful restaurant and bar. But he did not have the proper visa. Some neighboring bar owners were jealous and complained to the immigration people who came looking for him. He sold his interest in the bar. Then he went and cleared up his immigration problems.

The immigration amounts I have used will vary, these are the expenses I paid when emigrating from America. I was living in America and my wife filed for the 13a visa. I had the medical exam and some of the paperwork done in America and the balance in Manila. It's probably a little bit cheaper to have the whole thing done in Manila, but it takes time. When I flew when, I showed him the papers, and the next day I flew to my home with my Visa card. Sometimes people come here on a tourist visa and get married, and then file for a 13a Visa. In that case you would process the paperwork in Manila.

So the prices are approximate.

The biggest expense is your transportation. Often Filipino wives will try to persuade a foreigner to purchase a car. I don't recommend this. A car is a status symbol here. However, for the first several years, it's unlikely you will need a car. The traffic is a problem. The best solution is a motorcycle. Some people use the public transportation for many years. The public transportation is excellent, however it only works during the daylight hours primarily. When you have your own motorcycle you can go out at 10 o'clock at night to the pharmacy and buy whatever you need. There's tremendous freedom when you have a motorcycle.

There's very little selection of motorcycles in a rural area. The big city are cheaper than the smaller cities. More competition. A cheaper Chinese motorcycle can be as low as 45,000 . I prefer Honda, and they sell between 60 to 70,000. Cheaper than the big city. Standard size is 110 to 125 cc. They get about 90 miles per gallon or about 37 km per liter. Fuel is sold per liter. Right now it works out to around four dollars per gallon. But no one cares, because these scooters get such high mileage. There are also motorcycles/scooters available without shifting and some electric rechargeable. I have seen women driving rechargeable's with two small rear wheels. No balance required.

### Computer

The cheapest desktop computer starts out at about 17,000P and you can go up from there. Some people bring their computers from home. What's really important is that the computer have very good cooling. This is the tropics and they overheat. Additionally if you're near the ocean the salt is going to rust the computer in about two years. Many foreigners want to live right on the ocean. Okay but it's much more expensive.

### Refrigerator

Refrigerators are not absolutely necessary for people living outside of the major cities. People often go to the market and purchased fresh vegetables and fresh fruit every couple days. These don't need to be refrigerated. Expatriates normally like refrigerators. The most common refrigerator is what we call in America an apartment size refrigerator. The prices on these vary. To me I'm not so concerned about cost as I am the energy usage. Energy is very expensive in the Philippines, the place I live is rumored to have the most expensive electricity in the world. So I shop by energy usage. Then look at the price when I find the very best energy-efficient model. Typically this is going to be around 25,000. Cheaper in the Mega cities.

### Laundry machines

Also known as a washing machine. The most common is a two stage. One for the washing and one for spinning dry. I've never seen anyone use a dryer. That's what they use the sun for. Everyone dries their clothes in the sun.

### Air-conditioning

I have listed prices for air-conditioning however I do not use air-conditioning. The problem is the cost of electricity. My neighbor spends 5000 pesos per month for the electricity of his air-conditioners. It's not that important to me. The fans work just fine.

You will need new clothing. Even the summer clothing from a first world country is too warm. You need the very thin stuff they had here. You'll also need footwear from here. If you wear tennis shoes they will wear out very fast. This is the tropics and it's very hard on shoes. Most people wear a type of sandal or a rubber shoe. They're also very good in rainy weather. The rainy weather really tears up the tennis shoes. For some reason the shoes are very expensive here. I wear size 12 American, and I can only find them in the big cities.

Electric fans are very important and you will need several. The prices vary depending on the model and the power. In my small house I have five fans. Just right for me.

The rest of the start up costs I think are self-explanatory. Most people acquire these things in the first year that they arrive.

## Monthly expenses

The biggest variable in all the expenses is the rent.

First please understand that foreigners cannot directly own real estate ( with the exception of condos which are only available in major cities) . Some people have built houses in their wife's name. I have a house, I don't live in, in my wife's name and my name. I rent a house in a class B city of 50,000 people. It's cheaper than owning a house. The house I built has no good Internet connection. So I don't stay there.

Rental prices are all over the board. In the major cities, Manila, Cebu and big cities like this, the prices for rent are very high. The condos are very high. Many foreigners want to live in these cities because they have active night life, wide choice of services, wide choice of malls and shopping, wide choice of medical care. But they also have a different culture, and a high amount of crime. I don't like the cities except to go in and do shopping.

The best values are in the rural area. You can rent for much less, because the cost of the house and the market is much less. The problem is you're at the extreme end of services, medical care, and little or no Internet. However, the Internet is changing. These areas will probably be served very well by the year 2018.

Additionally, the major trade agreements being negotiated now, including TIPP, call for a constitutional change, allowing foreigners to own real estate. I've seen estimates that in 2020, the Philippines will be part of these trade agreements. You may want to consider that as part of your investment strategy.

Many people rent out their houses on a short-term basis. When I say short term I mean 3 to 10 years. The monthly lease is normally six months or one year. The scenario is normally that the house is now empty, and they have no long-term plan. So they just rented out. Typically this will happen because a family moves to a first world country, or the children all moved to first world countries, or something like this. So there are houses to rent, but many of them do not have for rent signs. There were not listed anywhere. You need to network in the community to find these houses. There are many apartments, and they are normally not as good a value as the houses. But for people who want a simple solution, six-month or less lease in many cases, apartments are a good idea.

One of the secrets of lower-cost housing, is being flexible. Constantly being on the lookout for a better value. Someone who wants to land and stay in a certain place, without much research, is going to pay much more money.

This is why we see such a wide variation in rental prices. It's not like first world countries where the owners of the real estate have a formula to calculate the cost of the rent. Very often inexperienced real estate owners calculate the rent based on their own parameters. So by searching around can find different opportunities and different kinds of housing and pricing.

In the city that I am in, that housing prices have skyrocketed because of the increase in schools, senior high schools and colleges. So many people want to live in that city, so the children can go to school there without much traffic hassle.

There is a rule in the Philippines that they can only raise the rent 7% per year. So if you can find a place in a good area, you can be locked in at a lower rate. In my case, I found a very cheap house that was really not to my liking. With the permission of the owner I have made many improvements to it, and it is now what I want. These improvements are much cheaper than higher rent in the near term. And the owner benefits because his places nicer, and I'm improving it.

I have a friend who's moving into this town, he's forced to rent and a higher rate of place he really does not like. But in one years time, that's his lease one year, he will find a nicer place and move there. This is how it's done. There's no good listing or reviewing systems. Many of the good places never have a for rent sign. It's a skill the foreigner will need to develop. Otherwise they will pay much more in rent.

### Electricity

Electricity is a big variable depending upon the area you live and what are not you're using air conditioning. Electricity in general is much more expensive in the Philippines than first world countries. But in some places, tourist areas, places without their own power plants, the rates can be very high.

### Location

Choosing a location where to live in the Philippines is not an easy task. You have to balance convenience versus cost of living. Some people are much better at this than others. It does take time to find the right place. This is why I recommend renting for at least 3 to 5 years, even if you're planning on building your own home.

### Internet

the Internet is another wide variable. There are basically two large ISPs in the country, and the selection in the rural area is slim. Often there is only one option if any. There are also resellers throughout the country. In a larger town like the one I live in a 50,000 people there are few more choices.

But when you get closer to the big cities, where the BPO centers, the choices really increase. In the major cities you have several providers, and many choices of speed. Some people choose to pay a much higher rate for Internet, and have the faster speed. Speed is a major problem in this country. It's one of the factors you have to consider when choosing the location.

The rest of the monthly expenses are self explanatory.

Medicines are relatively cheap in the Philippines IF you can use the local brands. I switched my blood pressure medicine to a local brand and saved 70 to 80%. The drugs in the Philippines typically are imported from Europe or Asia. For instance Advair the asthma drug is not available here. However, a duplicate using the same two medicine combination is available for less than \$10. Advair Is well over \$100 in America.

There is no subscription drug programs. People pay cash for drugs, seniors (with card) receive a discount. I find the drugs are very cheap (Compared to America) if you are flexible.

## Weekly expenses

Most of the expenses in this section are self-explanatory. Typically the fruits and vegetables are cheaper in the big city and the selection is wider. However the locally grown are much cheaper. This is normally not a big portion of your weekly needs.

I have not included a budget for transportation. I am assuming that you will purchase a motorcycle when you arrive. Otherwise, I would budget 500 pesos per week for transportation.

## Restaurants

Restaurants is another big variable for expatriates. Some people come here and are impressed that their money goes so far, and so they want to enjoy the more expensive restaurants, sometimes on regular basis. When we see disagreements about the cost of living there, often this is one of the main factors. In the rural area, there is very little choice. The closer you get to the big cities the more choice there is, and the pricing can go up substantially. I know one ex-patriot near Cebu who regularly likes to spend 4000 pesos for him and his wife on dinner. I can't do that. It's not my lifestyle.

If my wife and I want to go out to a nice restaurant like the chain Latte Cafe, the cost will be approximately 1200 pesos. I don't even like to do that very often. Because I don't see the value. We can eat in restaurants for under 500 pesos. The food is fine for me. Many people don't spend that much. If you're on a limited budget, you may not want to frequent restaurants very often. Jolibee is a major chain competing with McDonald's. You can easily buy food there for under 200 pesos per person.

There are many places to purchase food called carinderia. This is buffet style that the locals eat at. Its better if you have a local to guide you in these type of places. But they are very cheap. Many foreigners learn to like this food.

There are many restaurants that have carryouts. Pizza is becoming popular and it is very cheap. But the quality is very cheap. I hope someday they can make American quality pizza.

Finding the right balance for the restaurants is something that takes some time. Using budgeting method makes the process of user and less stressful.

Because there is so much healthy fresh food available for cheap prices, I do not go to fancy restaurants.

## Charity

In the worksheet I have provided a place for church/charity. Because of the poverty here many foreigners are involved in some form of church work or charity. It's really difficult not to be involved. You can adjust this budget. I've set it for what I'd use a minimum.

## Yearly Costs

Most of the yearly cost are self-explanatory.

### Nonrecurring expenses

One thing I have not covered is trips. Sometimes these are called side trips, vacations or exploring.

Different people have different ideas about this. I have a friend who travels to neighboring countries with his wife every year. Often people will take trips to different cities, some of them seem to take a lot of trips. So you will have to budget according to your lifestyle. There are many discounts in Asia travel, and there are many countries close by. Singapore, Malaysia, Thailand, Indonesia, Hong Kong, and more. You can travel to most cities places for a week under \$1000 per person.

Travel from Asia back to many Western countries is more expensive. For me to go back to Michigan from here is approximately \$3000 round-trip. It's about \$500 cheaper if I start from USA and go to Asia, however I can't do that. I live in Asia.

Injuries and illness are a problem here. There is a national health insurance that is available to Filipinos and their spouses. It's more like Medicaid in America. It covers about 20% of your hospital cost. It's a good deal you should buy it if you can, but it's not insurance. It's just a discount program.

There's no health insurance programs here that I'm aware of. There are no veterans programs here at this point in time.

So you have to pay cash for your illness or hospital stay. Many of the hospitals are not class A hospitals.

That means they don't have the latest medical facilities and up to date staff.

In a smaller town or rural area, if you have a heart attack, they take you to the hospital, give you some medicine that was slowly lower your blood pressure and monitor. Completely different than a first world country.

The quality of food is much better here, less stress better quality of life with plenty of opportunities for exercise. But if you have serious health issues, you will need to budget for those times when you stay in the hospital. Typically a one-week stay in hospital without too much expense like CAT scans and things like that, will run approximately 70,000 Pesos.

If serious issue like a heart attack, you may need to be transported to a larger city and you could easily spend twice that amount.

You may decide after a year or so that you want to move closer to a more modern medical facility. There are no official moving companies in most of the Philippines. You hire a couple of men and a truck to move your things. The cost is about 3 to 4000 pesos if it's very local, 7000 - 9000 if it's from one province to another, if you're changing islands it can easily be 20,000 Pesos.

Most people have settled on a place where they want to live before they accumulate a large amount of stuff. I would budget a couple of moves, before you settle into a place. Moving in and staying somewhere for six months or more, is the only real way to find out if it's a good fit for you.

So if you're renting you may want to change locations every year for a while until you get comfortable with where you want to be.

## Conclusion

The worksheet is setup so that you can make adjustments to it depending upon how your lifestyle and your budgets are available.

Let me just say, this is not poured in concrete. There are many exceptions to this. This is why so many different people on the Internet are giving you different answers. My goal here is to help you understand and develop your own answers.

There are people who say you can't live on \$500 a month. Well, with their lifestyle, they probably cannot live on \$500 a month. But I have a friend, who is on disability insurance, he receives \$800 a month and he survives. He has three small children and a wife, they all live on the \$800 a month. Now is easy, absolutely not. It's a struggle for him every single month. He has to find a very low rent place, that's not ideal. He has no motorcycle, and is forced to use public transportation. Although he does walk and awful lot. Most of the time the weather is very conducive to walking. He is even considered a bicycle. A basic bicycle is around 3500 pesos. Less than \$100. You can cover a lot of ground with a bicycle. So these are things to consider.

I have broken this up because I think it's very important understand the startup costs from the monthly costs. I have purchased everything in my start up costs and then some. So I am well establish after six years of living here. Last year I had a couple lean months around Christmas, people were busy with their businesses and do not want to talk to me. I was able to survive on \$200 a month. How is that possible? Because I had stocked up on food, and other supplies and minimized my expense for those two months. I saw it coming, so I prepared. Is it something I want to do again, absolutely not. But once you have your startup costs covered, it's much easier to manage. Much less stressful. Philippines is a constant learning experience and adjustment system. As you go through one problem or another, you develop systems to prevent those problems again. Perhaps I can talk more about that in the future.

Identifying the cost of living here has been a major challenge for me over the years. Most budget I have seen are not nearly as detailed as I wanted. That's why I created this detail. There are blank lines that you can add more.

It's very important to get this right. Often people like me have sold or closed out there houses in the other country and moved here. So our resources are limited. It's important to understand how much money we have to work with and develop your own budget.

I have created this with two currencies. The local currency and your currency. If it's different than dollars you can just put in there what the exchange rate is. Australian dollars or about 35 pesos to the dollar now. Just change that one field and everything else will adjust.

But the biggest mistake I see many people making when they come here, is thinking in terms of dollars. It's fine when you're back home and your trying to see how your finances are going to be, and for planning purposes. But once you arrive, you need to develop the peso mindset. Prices here are quite variable. Sometimes they're negotiable. So in order to get the best value you need to be thinking in pesos. When I'm looking to buy a certain kind of vegetable, I will walk through the market first, Looking at different vendors to get an idea what the price of that vegetable is this time of year.



Sometimes it varies from week to week on my favorite fruits and vegetables. For the first few years, I kept a spreadsheet budget. Just to keep track and make sure I would not run out of money. I recommend you do the same.

I hope this guide helps you. I wish I could have had something this complete before I moved here.

I think one of the biggest challenges in moving to the Philippines is getting the finances correct. There's an awful lot of people who don't do that. Sometimes they last two or three years, sometimes they go back to family members and wear out their welcome. I've known many people who really like it here, but they weren't able to manage their finances. They didn't have a good enough plan. In some cases they didn't have any plan. Those are mainly young people.

This worksheet and these costs are primarily for a single person. Additional people will cost more, and you can factor that in because you have the details. Quite honestly, most guys move here because of the girls. I recommend you increase some of the budgets to factor in a girlfriend. But girlfriends are not very expensive, as they don't have the same lifestyle that foreigners do. They don't need to eat fancy restaurants, eat fancy food.

Most people do not have money set aside for these startup costs. Most people purchase things month by month as they have the money. That's fine, as long as you understand the process. Otherwise it can be very frustrating because one month your spending 40,000 pesos, another month 65,000 pesos, and you're having trouble understanding why. Budgeting the two areas separately relieves a lot of stress.

Before I left America I had a credit union account. I was quite surprised when I moved here and I sent them a change of address, and they don't seem to care. So I continue do business with my American credit union. It's connected to PayPal and other accounts, and I can withdraw money using my debit card. It works at many ATM machines in town. It would work on many more in a big town.

Inflation is a problem in the Philippines. This country is undergoing rapid development and growth in the area of tourism, call centers and some manufacturing. Because of this growth, some of the highest in Asia, inflation is a problem. Based upon my observations, inflation in my area seems to be running between 10 and 15%. I live a very high growth area. Countrywide I would guess it's approximately 10% .

Opening a bank account in the Philippines is not a problem. They are compliant with the American laws. And I do have friends who have their assistance checks direct deposited to their Philippines bank account. This does require immigration paperwork. You must have a valid Icard, Which is a immigration identification card given when you receive your visa. Even tourist visa over one year will receive an Icard, although I doubt they'll let you open a bank account with a tourist visa.

In most banks you can have two types of accounts peso and dollar. Normally the minimum deposit to open an account is 3000 pesos, or for a dollar account \$500. You need to keep that in there at all times otherwise they will close the account. That's why those fees in the worksheet looks so different. Some foreigners keep their money in a dollar account, or they have a direct positive in a dollar account, and then they transfer to pesos when they withdraw it. He gives them more control over the exchange rate.

If the money goes directly into a peso account, you're at the mercy of the bank and what they decided was the proper exchange rate. When I withdraw on my ATM, I normally get in exchange rate of one peso less. So if the current US dollar to peso exchange is 46, I will receive 45. Additionally there is a 200 pesos charge for using a foreign debt card. My credit union does not add any fees to this.

Some banks may also charge you a fee because you use their card overseas. These are things you need to check on.

The slickest transfer system I have seen is one of my friends who's here retired. He has his money in USA accounts, and he has a checking account from an USA institution. He goes to his local bank here in the Philippines, and writes a check for deposit from this American account. He deposits that. It takes 45 days to clear. Next month he goes in and does the same process. The third month he goes in, writes a check for the deposit, makes the deposit, and withdraws the same amount. Because his original check has cleared now. So every month after that, he goes in and makes a deposit and withdrawal. There are no fees because he has US dollar account at the local bank. He just has to set it up and be patient. But after that he's getting money every month with no fees. Very smooth system.

One of the major mistakes that many foreigners make including me, was loaning money to local Filipinos. They don't have the same type of ethics that people back in America have. If you're going to loan money, just assume that your gifting the money. Because the likelihood of getting it back is extremely rare. I can tell you story after story of my friends and of myself. So if you want to give people money, and some people do, that's fine. But don't think you're loaning.

The currency of the Philippines is Peso and it is soft pegged to the USD. It does not move very much. 15 years ago when I built my house, there were 52 pesos to the dollar, that was the high. Typically the exchange rate is between 42 to and 46 Pesos to the US dollar. So when other currencies react to the US dollar, like the Australian dollar, it's going to have the same reaction in the Philippines. If the Australian dollar drops 20% to the US dollar, then you're going to receive 20% less pesos for your Australian dollar. The peso and the US dollar are very strongly correlated. Typically over a three-month period we might see a swing of one peso per dollar. It might go from 45 to 46. It doesn't move very much. It's very stable. This is one of the things contributing to the rapid growth in tourism and call center's. The relatively stable currency to the US dollar.

Any feedback is welcomed at [kalibo\\_info@kalibo.org](mailto:kalibo_info@kalibo.org)