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RELOCATING IN THE UAE

PART 2

Whether it's banking, saving, investments or some financial advice... here's what you can expect.

In our first part, for the financial guide for new arrivals, we explored rent, school fees and set-up costs. Now in this chapter, we help to decode those topics while helping you find your bank, credit facilities, investment and getting the right financial advice.

Whether you plan to open an account either onshore or offshore to borrowing and investing your income, here's how you can avoid those any pitfalls.

While choosing the financial institution to banks, it is one of the first decisions people make when they move to a new country and then comes how to handle your finances through borrowing, saving or investing.

CHOOSING A BANKING PARTNER

There is a wide range of banking options in the UAE that are both local and international, and personal finance experts recommend using a financial comparison site to check the eligibility criteria, the prevailing interest rates, the fees and charges for charged for bank accounts, loans and credit cards.

If you are new to the UAE must read up on Islamic banking terms such as profit rates, as all the residents-both Muslim and non-Muslim alike-have access to both conventional and Islamic banking products in the country.



Also, it would be wise to compare the remittance services in case you intend to send money back home, and maintaining your home bank account active, although you may need to convert it to a Non-Resident account so that inward remittances can be easily transacted.

Another way could be by asking your friends and colleagues who they bank with and then wisely choose a bigger, local bank or a major international bank so that they can reduce their risk of banking problems. One can also consider having accounts with two different sets of banks just in case one freezes your account when you later plan to switch jobs.

In case you already have an account with an offshore bank, picking the same bank in the UAE will make the transfer much faster. Sign up with the other financial institutions that your employer banks with, as it will help you later in case you need to borrow money.

OPENING A CURRENT ACCOUNT

To get your life financially sorted and started, you must open an all-important current account. There are banks who will set up an account for customers before they even arrive to make their transition as smooth sailing as possible. Here are some terms that you will have to be familiar with:

Non-checking accounts-without a cheque book are set up for new customers whose residence is in progress.

Personal banking current account for salaries that are under AED 15,000 per month.

Advanced banking current account for AED 15,000 to AED 49,999.

Premier banking current account for higher salaries.

Of course, nomenclature differs from bank to bank, but the basic premise is that higher salaries would make you eligible for more premium bank accounts.

It usually takes a few days for account opening with a debit card. You will get full account benefits, including a cheque book which is added once the bank receives a copy of the customer's Emirates ID.

A full checking account with cheque book requires account holders to be residents in UAE but banks can help open a savings account for non-residents with a debit card, internet and mobile banking options.

GETTING CREDIT CARDS AND LOANS

Customers can easily apply for a credit card or a loan once they have an Emirates ID issued. The first month's salary payment has to be banked in order to apply for a personal loan but customers who are looking for a car or a home loan may apply before that. Customers can also apply for a credit card or personal or a car loan the moment their first salary is banked.

Some banks even have a facility to issue a unique credit card which allows new expat arrivals in UAE to apply immediately upon their arrival for a credit card, however, an Emirates ID and visa will be still mandatory before a card can be sanctioned.

For loan or mortgage applications, a minimum period of service of six months is required. Rent can be a huge expense, so some borrow to get it covered-but the loan takes around 2 years to pay off the next time the rent is due and then you are short again.

OFFSHORE BANKING

An offshore account always protects accrued capital; it offers services designed for expatriates and acts as a perfect platform for wealth management and gives an individual a good peace of mind. There's no need to keep more than 3 to 6 months of the expenses in a UAE bank account and everything else can be moved to the offshore account. Majority of the international banks present offshore bank accounts that can be linked to your local UAE account, but they may also require around \$50,000 or more.

As an alternative invest in properties or in stocks and bond exchange-traded funds which can be carried out via an offshore broker.

CREDIT SCORING

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SAVING AND INVESTING

Most of the people who move abroad have more disposable income than when they were back in their home countries. Long-term saving or investing is something that all individuals irrespective of their age or income bracket must earmark as a very high priority.

The tax band that you were paying in your home country must be your aim as an amount to save in UAE and start saving straight away, even if it is a mere 5 per cent.

It's much easier to increase now than to start a year later. Always keep your end goals in mind and write them down and keep them somewhere visible; maybe on the fridge or on your workstation.



Your living expenses should be no more than 70 per cent of your total income, and it is a good practice to keep at least a month's salary as cash for all your miscellaneous and unforeseen expenses.

Putting your money to work and investing about 20–50 per cent of your income would mean that in a few years time in the UAE it will make a big difference to your finances. If you are a new expat into the country, try not to get over enthusiastic and then inflate your lifestyle too much out of curiosity and excitement. The primary factor that influences how much wealth an average expatriate will build is his or her capacity to save from their incomes.

FINANCIAL ADVICE

Securing trustworthy financial opinion can get tricky in the UAE. Beware of any advisers who cold call shortly after you arrive. Do not fall for certain financial advisers who prey on new arrivals in the market-and people who haven't yet heard about the risk of investing in a long-term savings plan or whole-life insurance scheme.

Most of these advisers receive heavy commissions for selling you a certain plan, so they will not act in your best interests. As a general rule of thumb, don't trust anyone who gets commission rather than charging for their time. Don't accept total fees of more than 2% for anything that is being sold to you.

Avoid any investment offer which promises you unbelievable returns-it is most likely to be a scam.

Hundreds of UAE clients are now using a retainer plan option, and don't forget to ask for an email detailing how much the adviser would receive in compensation if you are working with them. If they recommend an investment product, you must clearly know how much their compensation will be in the first year and in the following years.

Over a period of 10 years or more, expats fall victim to such products have virtually no chance to beat the inflation. If you do buy into a usual investment scheme, you make sure to sell them at any time without penalty-and also ensure that you have it in writing.





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