

Finances, Credit, and Taxes



If you had a bank account or credit card in the US you know how these financial tools work. There are some differences in Mexico that will be good to know about.

In this section, we cover banking basics and how to open a banking account. Then we cover budgeting, financial planning, and credit. At the end of this section, we go over filing taxes and buying property.



Banking

It's a good idea to open a bank account in Mexico so that you have a safe place to put your money. Some popular banks in Mexico include Banorte, Bancomer, Santander and Citibanamex.

Like in the US, bank accounts in Mexico have online services so you can pay bills, move money, and keep records. Your job can put your paycheck directly into your account. Banks in Mexico can also help you with car or mortgage loans, making a retirement investment plan, and investing in stocks and bonds.

Banks will allow you to set up a checking account to keep your money safe. Some checking accounts have monthly fees while others do not, so make sure you ask about fees.

When you open a checking account, you get a debit card. Cash is used a lot in Mexico. But debit cards can be handy and safer than cash. You can use a debit card to buy things, pay bills, or get cash from your account using ATMs.

Do you have a card from the US? Using cards from the US in Mexico can come with hidden fees. If a family member sends you a card, call the bank to find out about any fees before using it.

★ Credit unions are trustworthy in the US. But they are not trustworthy in Mexico. Do not use "cajas populares."

Opening a Bank Account

You will need these items to open a bank account:

- Official ID. (INE or passport)
- Proof of address. (utility, water, or phone bill)
- A check or cash to make your first deposit. (Ask the bank about minimum deposit amounts.)

Exchange Rate

The peso is currently weak. At the time of publication, the peso is 17 to one dollar. What does this mean for you? It means if you are making pesos you can't buy as much. The prices of many things in Mexico are based on the dollar. The good news is many things are much cheaper than in the US. While making \$500 or \$1,000 USD a month may sound very low, it will probably be enough if you budget well.

★ The US dollar sign (\$) is often used for pesos. MXN is another abbreviation for pesos.



Financial Resources

You can find a lot of information online about banks, account options, budgeting and strategies for saving your money. Some financial planning websites have a “chat” where you can ask an advisor a question and get an answer right away.

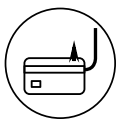
Here are a few US-based sites with information in English:

- NerdWallet is a tool to help you understand banking, credit, and financial planning (www.nerdwallet.com).
- The Simple Dollar is another website with helpful tips about understanding money and budgeting (www.thesimpledollar.com).
- Mint is the TurboTax website that has tools for budgeting and financial management (www.mint.com).

There are good Mexico-based resources available in Spanish as well. Some of these include:

- Coinch is a free app that helps you set savings goals.
- Presupuesto Familiar is an app that lets you organize your debt and spending.
- MisMetasPCC de Pequeño Cerdo Capitalista is an app that helps you set goals and stay on track.

★ **Disclaimer:** Please remember that we are not endorsing these websites or services. Feel free to do your own looking online.



Avoiding Scams

You don’t want to become a victim of a scam. Visit this website for a list of common scams and their warning signs: <https://consumer.ftc.gov/articles/how-avoid-scam>

Here are a few scams to avoid:

- Be suspicious of emails or calls that offer you lots of money or “free gifts” if you pay a small fee. If the reward sounds too good to be true, avoid it.
- Beware of companies that try to push you into signing up for something immediately. Only sign up for services you understand. You can always ask them for more information if you are confused.
- Only give personal information (such as account numbers and Social Security numbers) to companies you know to be trustworthy.



Credit

In the US, you had a credit score that banks used to decide if they would loan you money. In Mexico, there is no credit score system like in the US. But there is a Credit Bureau (Buro de Crédito) that lets lenders know whether you have good or bad credit. This means you will still want to make sure your credit remains good. Always pay your bills on time. Be aware of services such as TV and internet that come with contracts, often 18 months. If you don’t pay for them, they will hurt your credit.

Here are some guidelines for managing credit:

Get educated. The website consumerfinance.gov has helpful information about credit in the US that can also help in Mexico.

Be smart. Avoid businesses (such as car dealerships and payday loan offices) that advertise to people with bad credit. They often have very high interest rates. Do not support any company whose business model depends on your lack of money.

Be cautious. Read the fine print carefully and understand the rules before you sign anything. Remember, what counts is what is in the contract, not what the salesperson promised.

Pay your debts. If you’ve gotten behind on any of your debts — or have had debts fall into collections — pay them, or make a plan to pay them. See this website: <https://consumer.ftc.gov/articles/coping-debt>

Pay your bills on time. Paying on time is a good habit and can improve your credit score. The easiest way to do that is by setting up an automatic payment with your bank on your bills' due dates. Marking the dates on a calendar is fine, too.

Use credit cards wisely. If you choose to have a credit card, only charge what you can pay back at the end of the month. If you must borrow money with a credit card to pay your credit card bills, talk with a credit counselor. Don't cosign loans without reading them.



Tax Basics

Once you start earning money you have to start paying taxes. You do this through your RFC number. The amount you pay in taxes depends on how much money you make. It also depends on how much you pay for healthcare and if you have any work-related expenses.

When you file taxes, you let the government know how much you made and how much you have paid in taxes. You also tell them some information about yourself, like whether you have children, how much you pay for healthcare, and if you have a disability. The government decides if you paid too much or too little in taxes. If you have paid too little, you have to pay the amount you owe. If you do not file your taxes, you have to pay a fee and you will owe back taxes for the money you didn't pay. The government can even freeze your bank accounts.

In Mexico, taxes are due every month. Some employers will do this for you. But in other jobs you have to do it yourself. You will need to make an appointment with the tax office to file your taxes (The SAT). There is also a yearly tax return that you have to file. This happens every April.

When you take a job it's important to understand if your company will do your taxes or if you need to do them. Most of the time, they will do taxes for full-time employees. They don't do taxes for freelancers who work for "honorarios" in Mexico.

If you are freelance you have to present your taxes every month to the "Servicio de Administración Tributaria," or SAT. The SAT is the Mexican version of the IRS. The company you work for will ask you for a "factura." The

factura will show that you reported your income to the government.

Because the process is confusing, many people hire an accountant. You can hire one for about 500 pesos per month. Ask friends and family if they know a good one. If you don't hire an accountant, you can present your declaration in person each month. It's a good idea to make an appointment online before going. To do so visit <https://citas.sat.gob.mx/citasat/home.aspx>

☆ Are you supposed to get a tax refund? The government may not give it to you. Make sure you pay only what you owe each month. An accountant can help with this.



Property

Transfer of property can be difficult in Mexico. It is best to use a notary public or lawyer. Note that a notary public in the US is very different from one in Mexico. In the US, notary publics seal and sign important documents. In Mexico, they are like lawyers. They help their clients with policies and procedures. If you need to transfer property a notary public or lawyer will let you know what you need. For a fee they will take care of it for you. They can even help you deal with any back taxes owed.

☆ Some lawyers also can help you title a property. Sometimes they work with a notary, and you'll have to pay the notary fees too. It's sometimes faster to choose a lawyer, even though it may cost more. Whether you choose a lawyer or a notary, be sure to ask for the costs up front. That way they can't surprise you with extra fees.

