DUNHILL FINANCIAL

US EXPAT GUIDE

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HOW DID WE GET HERE?

The United States and Eritrea (a small African nation) are the only two countries that currently tax citizens who live abroad. The IRS estimates annual underreported income at around $2 trillion.

To put this into perspective, the entire national debt is over $28 trillion, therefore this brought about a great initiative to stop tax evaders. The US Justice Department started with targeting the Swiss, in particular UBS, of which in 2009 they accused of conspiring to assist 52,000 Americans evade their US taxes.

This led to the Swiss Parliament signing the Swiss income tax treaty in March of 2012 and the end of Swiss banking secrecy. Next came the signing into law of FATCA, and that is where this story will begin.

CONTENTS

MOVING ABROAD: YOUR FINANCIAL CHECKLIST

So, you're moving abroad? You have decided to move out of the US for a new adventure but what should you do financially? A new job, retirement, or other exciting ventures may lead you to make the final decision. However, do not forget that the US is a “citizen-based taxation” system, In other words, you are required to file your US taxes each year even if you live abroad and pay taxes to another country. You may be leaving with a new job and your company is paying your tax preparation services but stay informed. You may be retiring overseas but do not forget to file!

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1. File US Tax Returns

All US citizens must file their tax returns each year to the IRS. You may not have to pay any additional income taxes if you qualify for the foreign earned income exclusion or foreign tax credit. However, to obtain these benefits, you must file your tax return. *Reminder*, you may also be required to file your state income tax returns as well.

2. Report Foreign Bank Accounts

Any non-US financial account that you open abroad may have to be reported to the US Department of Treasury. The Form FinCEN 114, or the FBAR, is required to be filed if your <u>combined value</u> of your non-US accounts exceeds $10,000 at any day during the year. Also, there is a FATCA requirement of reporting specified foreign financial assets that collectively exceed a certain threshold at the end of the year.

YOUR FINANCIAL CHECKLIST

(cont.) This reporting is completed with your tax returns directly to the IRS. *Reminder:* these are for reporting purposes only and no tax is assessed on the balances. However, disregarding to file can bring on substantial penalties.

3. Manage Your Financial Accounts

Because of the FATCA requirements, foreign banks may limit the services they provide to US citizens. Also, US financial institutions may also curb their services to US expats. Research the various institutions.

Ideally, find your new "local" US financial advisor before you move abroad. At the same time ensure that your new advisor has expertise of handling US expats and related tax implications. Here are the 7 key questions you should be asking before engaging with an American expat firm.

4. Do Not Invest In The "Intriguing" and "Interesting" Foreign Instruments!

Did you find your financial advisor with the expertise of US tax implications to US expats? You will need that person to advise on what financial instruments to avoid.

YOUR FINANCIAL CHECKLIST

(cont.) Many “tax-free” plans in foreign institutes could possibly NOT be tax-free for US persons. Look for financial plans that qualify as a pension plan in the United States and are covered by tax treaties between the countries. Some tax advantage arrangements are available to Americans in Canada and the United Kingdom. Some foreign financial investments could result in higher US taxes as well as foreign taxes. Consult your financial advisor expert.

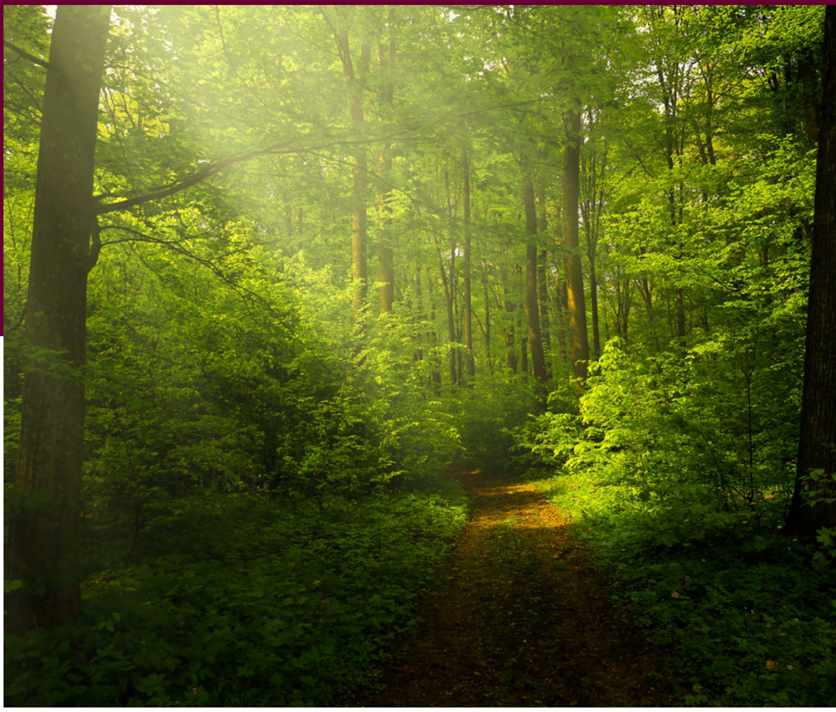
5. Understand Social Security Coverage and Contributions

It is important to understand how social security is affected when working abroad even with a US company.

Are you going to continue to contribute to your social security funds in the US through your company? Are individual contributions from you necessary? Are you employed by a foreign company that will contribute to that country’s social security funds? If so, you may not want to also contribute to the US Social Security Administration. Be wary of unnecessary double contributions especially for the self-employed. For the self-employed, choose which country you will contribute and obtain a certificate from that country.

Overall, enjoy your adventure of living abroad as an expat but understand the facts that could affect you and your family financially. Remember this applies to all US citizens (and green-card residents) living abroad whether you are working or retired. Contact your financial advisor and US tax experts to ensure your protection and enjoy the cultures!

YOUR FINANCIAL CHECKLIST



6. Research Totalization Agreements
The nations listed below currently have agreements with the US to avoid double taxation of income with respect to social security taxes. When planning in regards to US Social Security/Medicare tax, you should take these into consideration.

- Australia
- Austria
- Belgium
- Canada
- Chile
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Japan
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Slovak Republic
- South Korea
- Spain
- Sweden
- Switzerland
- United Kingdom

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

In 2010, the Foreign Account Tax Compliance Act (FATCA) became law. The law is designed to increase compliance by US taxpayers with reporting requirements for foreign financial accounts. The legislation is extensive and affects both taxpayers and foreign financial institutions that service US persons (US citizens and US permanent residents). Key elements of the law include more onerous reporting requirements and higher penalties. This includes:

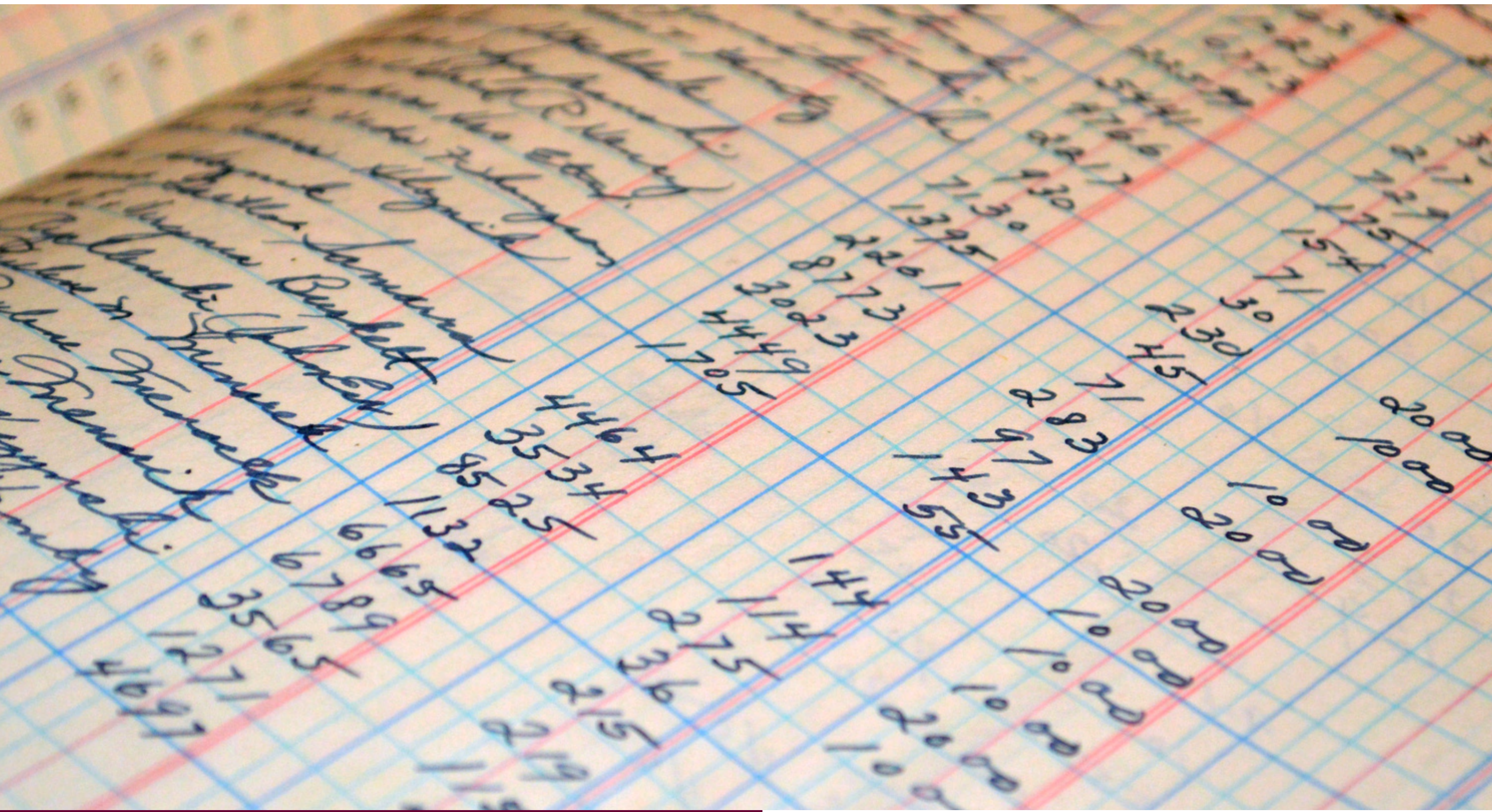
- US persons are required to file FBAR annually if they have a financial interest in or signature or other authority over foreign financial accounts
- Aggregate value must exceed $10,000

YOUR FINANCIAL CHECKLIST

(cont.)

- Must be received by April 15, coinciding with the federal income tax filing
- Failing to file by April 15 results in an automatic extension to October 15
- Required electronic filing
- Failure to file can result in significant criminal and civil penalties
- Substantial revisions and updates to guidance over past few years
- Internet poker accounts are included, Bitcoins are not (at present)
- Foreign pensions may be included

The new law requires Americans to separately report foreign holdings exceeding $50,000 (or more, see the chart below) to the IRS on Form 8938. This reporting requirement is triggered if assets exceed these amounts at any point in the year. The new IRS reporting requirements include detailed information about account holdings and transactions. Penalties for failure to file the FBAR or form 8938 start at over $13,000 (inflation-adjusted) but can go much higher depending on account size and circumstances.



FATCA

(cont.) All non-US financial institutions will be required to make detailed reports to the IRS on accounts held by US persons, or be subject to a 30% withholding on all US sourced payments.
The implication of this provision is that non-US financial institutions will either refuse to service US citizens or they will comply with the strict mandatory IRS reporting requirements.
Any US person who owns PFICs must now report the onerous form 8621 on each separate PFIC investment every year. The statute of limitations for IRS audit is extended from three years to six years in cases where more than $5,000 is omitted from gross income and the sum is attributable to foreign assets.

Concurrent to the law, the IRS has announced plans to increase resources devoted to enforcing foreign account reporting compliance and stricter enforcement standards.
All of this implies that virtually all-financial institutions around the world will have to determine which of their clients are US persons and report the holdings and transactions of those clients directly to the IRS.

NON-US INVESTMENTS

As an expat, many opportunities will present themselves as opportunities to invest. Local pensions without the thresholds that the IRS set out are good opportunities to save in a tax-free or tax deferred manner. Most of the rest of the investments can create more problems than solutions.

Some of the problems these can create include that they don't produce tax documents like a 1099, this means you will have the task of documenting everything manually or at the cost of your accountant.

The protections that US institutions instill such as FDIC, SPIC and insurance guarantee are not equal in all countries. The perfect example was the Cyprus banking crisis in 2013 where 10% of all deposits where taken to bail out the country.

Nearly all foreign investments will be classified as Passive Foreign Investment Companies (PFIC's) including SICAV's and other structures. According to the IRS a foreign corporation is a PFIC if it meets either the income or asset test described below.

NON-US INVESTMENTS

Income test
75% or more of the corporation's gross income for its taxable year is passive income (as defined in section 1297(b).

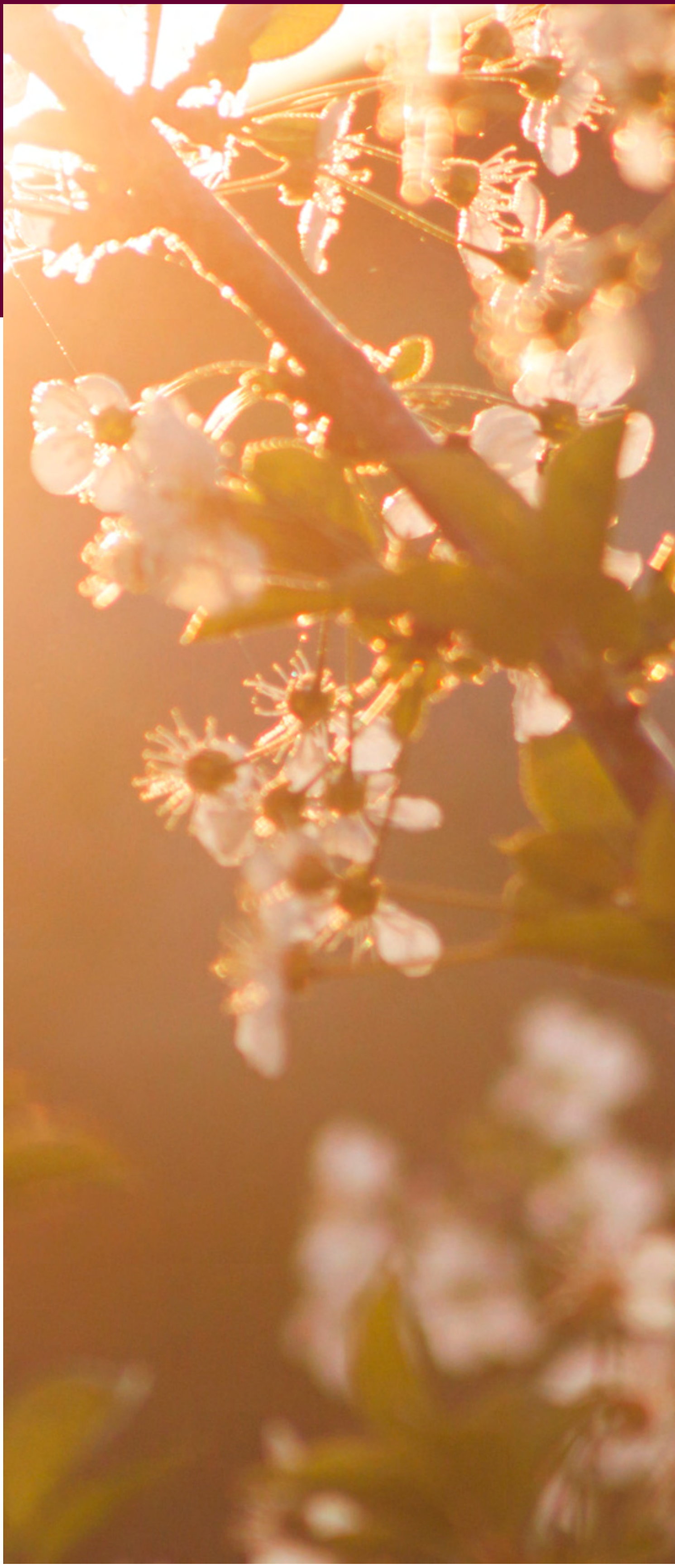
Asset test
At least 50% of the average percentage of assets (determined under section 1297(e)) held by the foreign corporation during the taxable year are assets that produce passive income or that are held for the production of passive income.

PHYSICAL PRESENCE

In order to claim the Foreign Earned Income Exclusion, you must have a tax home in a foreign country and meet either the physical presence or bona fide residence test.

Physical Presence Test
You are considered physically present in a foreign country, or in some cases countries, if you reside outside of the US for at least 330 full days in any consecutive 12-month period, though the 330 days do not need to be consecutive. You can travel to multiple countries, and both vacation and business days count toward the total. You can also choose which 12-month period to use, enabling you to choose one that provides the greatest benefit..

PHYSICAL PRESENCE



(cont.) This test is useful for those who aren't working in a foreign country and just traveling, as it does not depend on the type of residence you establish or the purpose of your stay abroad, only on how long you stay in a foreign country or countries. This is the key difference between the Physical Presence Test and the Bona Fide Residence test, which does take these factors into account.

Bona Fide Residence

The IRS says that if you reside in a foreign country for "an uninterrupted period that includes an entire tax year," you are considered a bona fide resident. You can take trips out of the country you're residing in, as long as you clearly intend to return to your residence. This includes visits to the United States.

Living in a foreign country for a year does not automatically qualify you as a bona fide resident. Whether you are a bona fide resident is determined individually. The nature of your stay abroad, your work, and the intention of your trips are all taken into account. You will have to prove that you have been a bona fide resident of a foreign country for an entire tax year, and this is largely based on the facts that you report on the Foreign Earned Income Form 2555.

PHYSICAL PRESENCE

(cont.) Until you
file this form, the IRS cannot make a decision.
If you make a statement to the foreign country that you are not a resident of that country, and therefore the authorities decide that you are not subject to their income tax laws, then you are not considered a bona fide resident.

DOUBLE TAXATION AND BILATERAL TAX TREATIES

The double taxation agreements help in reducing (not necessarily removing) double taxation. They are often long winded, and legal filled documents can be hard to interpret, but they should still be the first place to reference in your tax treatment of income.
The fact that a country has entered into a double taxation relief treaty or an exchange of information treaty with the US Government does not exempt individuals or entities located in that jurisdiction from having to comply with the FATCA provisions. Individuals or entities must be in compliance with the FATCA provisions for them or their clients to be entitled to treaty benefits. Exchange of Information treaties are used when the governments are seeking information about specific taxpayers.

DOUBLE TAXATION AND BILATERAL TAX TREATIES

Double taxation agreements are currently held with 68 different countries, you should visit the IRS website for the most up to date list of treaties between the United States and other countries through the link to the right. You should also consult the state in which you're registered as you might also be subject to taxation in your state.

https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z

End of section 1

WHERE SHOULD I BANK?

For Americans living overseas, the best option is to hold a bank account in a local financial institution to ensure reduced foreign transaction costs. The choice of the bank will have to be based on 3 factors:

- Language – Does the institution offer documentation in a language you are comfortable working in?
- Location – Are the offices located in your city?
- Services offered – What are the products designed for US citizens? Are they convenient?

Another option is to open an account at the State Department Federal Credit Union. Find more information about their products visit their website at:
www.sdfcu.org

This doesn't mean you should close out your US bank accounts. While your bank accounts don't affect your credit score, they still play a vital role in getting credit.

PENSIONS AND INVESTMENTS

Click on the photo above to watch our short cartoon on where to invest as an American expat or go to our channel on Youtube.
As an expat, you will find all kinds of potentially lucrative opportunities to invest offshore in exotic investment schemes. Apart from local pensions, which should always be taken advantage of, we recommend keeping your investments with an institution in the States.

PENSIONS AND INVESTMENTS

(cont.) As we recommend holding exchange traded funds in our portfolios, the number of offerings in the US versus many other countries is much more extensive and therefore advantageous if building tactical strategies.

Your accountant will also appreciate receiving 1099s in which you won't have to construct the data with or for them. You will also avoid ever having PFICs (Passive Foreign Investment Companies), which can be very costly from a tax vantage point. Your accountant also won't have to report these accounts on your FBAR as they are held in the US, saving you time and money in filling your annual reporting to the IRS and treasury.

Regulation varies considerably from country to country and while we are used to high standards in the US, and are accustomed to features like FDIC and SIPC, protection in other countries is quite different. Many countries have no qualifications needed to become a financial advisor. While this is not the case here in Europe, many advisors cross the border to try to give advice to affluent people in Europe. You can find an American's qualifications easily online by following this link.

PENSIONS AND INVESTMENTS

You should also be able to find your advisors qualifications on their home countries regulatory website. They can then passport (or use the license) throughout the rest of Europe. Your advisor should always be registered both in the country your investing in (the United States) and your country of residence.

What if I register using an address back in the US?

I. You might subject yourself to state taxes if registered in certain states.

II. The firm might not have you registered correctly in regards to double taxation agreements, meaning potentially higher taxes (for accounting bills).

III. You might be working with someone who is not registered in your home country, which means you wouldn't have any rights towards recourse if things went wrong.

IV. You are violating the terms and conditions of your client agreement by falsifying the documentation.

CURRENCY MANAGEMENT

Watch our short cartoon on where to invest as an American expat. Currency fluctuation can be a risk or an opportunity, and therefore we can manage it in that way, especially for those that don’t ever plan on moving back to a US dollar based jurisdiction.

When the Euro entered circulation in January of 2002 it traded at an elevated price of 1.1743 from its prior European Currency Unit (ECU) price parity with the dollar.

CURRENCY MANAGEMENT

(cont.) In its first decade (plus four) we have seen it trade as low as 0.8252 in its infancy (October 26th, 2000) and then as high as 1.39 during 2014, and currently around 1.20.
Derivatives, forward contracts and other mechanisms can be utilized to reduce currency risk, but these contracts tend to be expensive and also reduce potential returns. We would therefore recommend that Americans abroad, who expect to remain outside the US for an extended or indefinite period of time, need to manage their long-term currency risk by matching the currency denomination of their investments with the currency in which they expect to incur the bulk of their future expenses (such as home mortgage payments, college costs and retirement expenditures).
For Americans abroad that expect to return to the US after only a few years, currency management issues are usually far less important.

Diversification is the key and that is why we would recommend a multi-currency portfolio of global assets.

CURRENCY MANAGEMENT

(cont.) Americans typically are over-biased towards domestic assets with portfolios of 80-90% US stocks and bonds (as are citizens from most countries, Europeans typically have 40-60%). This is against the MSCI World Index benchmark which has around 52% of market capitalization in the US and 17% (ex-UK) in Europe. This is a natural hedge in favor of your home country. We would recommend basing your natural hedge based on where you're going to retire.

HOW TO CONVERT MONEY - EFFECTIVELY

As an expat in Europe, you already have many things on your mind, but the last thing you want is to pay hundreds—if not thousands—of Euros when transferring cash into your European account. To ease the financial pain that hefty transfer fees often bring, you should do your homework, talk to your banker and fellow expats, shop around and seek professional guidance.

When Should You Consider Transferring Money?

You certainly can use your local A.T.M. card in Europe for small, everyday purchases, but the financial tab — think A.T.M fees, foreign exchange charges and bank fees — becomes hefty if you want to transfer larger sums.

HOW TO CONVERT MONEY - EFFECTIVELY

(cont.) For example, buying property in Europe would require a substantial transfer, so you should think methodically about how to transfer the money from your local bank account into your foreign bank account. Other events entailing larger transfers include permanent or temporary emigration, investing in a business, or planning a holiday in Europe, for that matter.

What Are Your Alternatives?
You have many alternatives when considering a large money transfer. You can talk to your bank, but cross-border transfer is big business for financial institutions — so don't expect affordable rates there. But at least you can get a benchmark on what the market is offering.

You also can contact an international-remittance company like Western Union or MoneyGram, but again you might have to cope with stringent transfer limits and weighty paperwork that ultimately could delay the transfer. The third option is a foreign exchange broker, and this type of company typically offers better rates, with discounts that often are 3-4% lower than bank rates. The last few years, there have been several peer-to-peer platforms coming up that offer money conversion without any fees.

HOW TO CONVERT MONEY - EFFECTIVELY

(cont.) Getting a discounted transfer rate can save you money — lots of it. For example, say you want to buy foreign-based real property valued at 200,000 Euros. A 2% or 3% rate reduction saves you 2,000 – 3,000 Euros, extra cash you can use to pay for other costs related to the acquisition.

How to Choose—and Who to Choose?
Affordability is important when selecting a foreign exchange broker for your transfer.

But also pay attention to things like regulatory compliance, the company's operating history and track record, its financial status, and membership in international money-transfer institutions.
Google as much as you can about the institution, talk to fellow expats, and seek guidance from a professional. We would recommend the following companies:

Revolut
Wise
MoneyCorp

PROTECT YOUR CREDIT SCORE WHILE LIVING ABROAD

While living abroad, your credit score back in the US is probably one of the last things on your mind. But it's important to protect, otherwise if you do ever move home you'll be starting from scratch, and a low or damaged score could prevent you from qualifying for a mortgage or car loan, among other things. Luckily, a credit score is fairly easy to maintain with just a few steps.

Keep your credit cards active
Though you might join a new bank and receive a new credit card in the country you're living in, you should keep at least one of your old credit cards active.

The length of your credit history is an important factor in your score, and lenders like to look back on a long history of on-time payments. Keep a credit card open with an American bank, make a few small purchases a year, and pay them off right away to keep your credit score stable.

No credit? Apply for a secured credit card
If you're moving abroad with little or no credit history, don't let the move delay you from building one. Apply for a secured credit card, where you deposit a set amount in a secured account, which then secures a line of credit up to that amount.

PROTECT YOUR CREDIT SCORE WHILE LIVING ABROAD

(cont.) Now you can use your credit card like any other, and if you're making payments on time, you can eventually shift to an unsecured card and build your credit from there.

Protect your identity
Moving abroad can put you at risk for identity theft, because FATCA requires you to give over foreign bank account reporting forms including bank account numbers, names, birth dates, and social security numbers, as well as your signature.

While US-based institutions are subject to strict data protection standards, foreign financial institutions are not, and as a consumer you aren't entitled to the same legal protections that you are in the US. American taxpayers with foreign financial accounts have to keep their US social security numbers on file under FATCA, so that the foreign bank can report information to the IRS. For this reason, you should always use a credit monitoring service like LifeLock, Experian, or Identity Guard, so you can immediately see any activity in your credit file. With a monitoring service, you will be alerted to changes and can stay proactive in stopping any impersonations. It's also a good idea to keep your electronic tax returns on file to prove your compliance both to US and foreign banks.

PROTECT YOUR CREDIT SCORE WHILE LIVING ABORAD

(cont.) One of the most effective ways to prevent identity theft is to freeze your credit. However, this is only recommended if you know for sure you will not need a new line of credit or are not planning to move back to the US.

Moving abroad is exciting, and opening a foreign bank account is useful and necessary in many ways. Still, keeping up a credit score in the US is important and easy, and something you'll be glad you did when you eventually return home.

LOCAL PENSIONS AND IRAS

Using tax deferred or even better tax-free vehicles to save for retirement are imperative to accomplishing your long-term goals. Most every country uses a three or four pillar system in which personal pensions are a significant portion. It is important for you to have an advisor that is both licensed in the US through the SEC and your local country as this gives you access to both investment vehicles and the knowledge that they are on the same side of the table as you (not just shifting assets to benefit themselves).

LOCAL PENSIONS AND IRAS

(cont.) You will want to start by using pension vehicles in your home country, and make sure that it will meet both local and US provisions. These mostly apply to making sure that you can't contribute over $50,000 per year, $1 million total and you can't access the funds prior to retirement age.

Your IRA should remain in the US and can be rolled over so that you can manage it in a currency efficient manner. Removing funds prior to the age of 59 can be expensive as both taxes and penalties might apply.

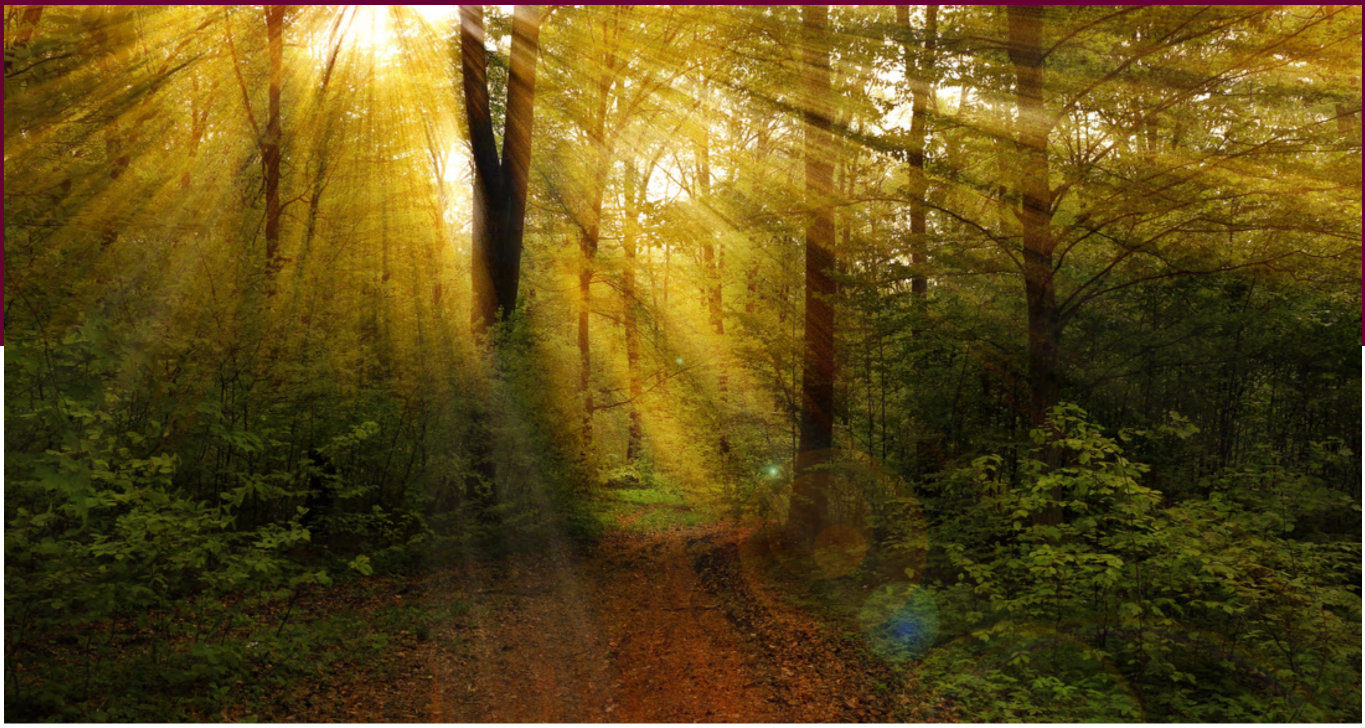
ADDITIONAL INVESTMENTS FOR RETIREMENT

While pensions are helpful, most of us won't be able to live on just our government, corporate and personal pensions. Therefore, you will need to save outside of your IRAs and pensions. It is important to understand your home country's views on taxation of capital gains and dividends.

While many countries have double taxation agreements, for which you can find a link to the IRS website in the resources, these reduce double taxation burdens and don't necessarily eliminate them completely.

Many European nations also have punitive taxes on short term trading in which you can easily find yourself taxed upward of 50% between the two jurisdictions.

You can aim to reduce income from dividends on stocks and coupons from bonds, but if not done correctly this can also increase the risk in your portfolio to an unacceptable level.

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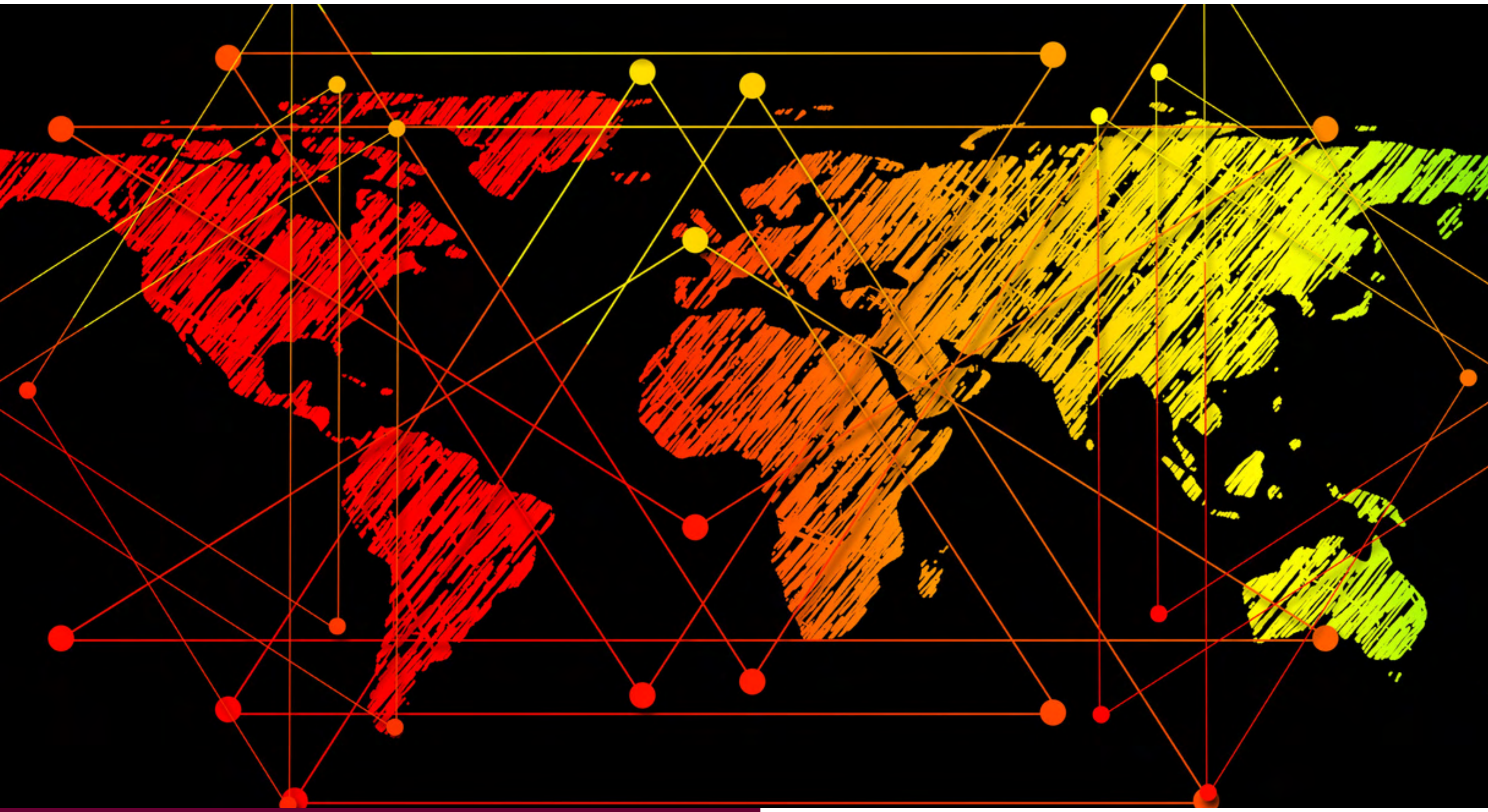


IMMIGRATION

As a U.S. national, you may remain in the Schengen area for up to 90 days in any 180 day period without a visa or residence permit. This sounds fairly straightforward but many Americans find themselves inadvertently in illegal overstay, so it is important to familiarize yourself with the rules of visa-free stay.

First of all, the Schengen area is a region characterized by a common external border and no internal borders between its member countries. After you enter one Schengen country you are able to freely move from one country to another.

The Schengen area is made up of 22 EU member states: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and four associated members: Iceland, Lichtenstein, Norway, and Switzerland.

Notably, part of the EU, but not part of the Schengen Area are: Ireland, Bulgaria, Cyprus, Croatia and Romania.

IMMIGRATION

(cont.) The rule about the time spent in the Schengen area is a bit trickier. It considers “any 180 day period”. So, you must look backwards at the previous 3 months, count the number of days spent in any of the Schengen countries and then deduct those days from the 90 days allowance to determine how much more time you have remaining.
For example, if you spent 10 days in France a month ago with no other travel to Europe in the past three months, you have 80 days remaining to visit other Schengen countries. This can become quite confusing, particularly if you are frequently traveling in an out of the Schengen area, so a useful calculator has been provided that can help you determine how many days you have available. This tool can be found here.

It is critical that you do not exceed the 90 day allowance. Illegal overstay can be the basis for denial of future immigration applications in any of the Schengen countries and can result in a travel ban to the entire Schengen area for a period of as long as 5 years.

IMMIGRATION

(cont.) There was a time when Americans found it quite easy to come and go from the Schengen area with very little scrutiny of the travel stamps in their passports. But this is changing with new migration pressures in Europe. Borders are more closely monitored and no nationals are immune from passport scrutiny. At the time of writing this (August 2021) the European Union countries are negotiating an Entry-Exit System (EES): an electronic border control system that will track days of stay and make that information available to all Schengen countries. EES is scheduled to enter into operation sometime in the first quarter of 2022. So, it will become easier to know when an individual has been in the area longer than 90 days.

So, what can you do if you would like to be in a Schengen country for longer than 90 days?
Or if you would like to be able to travel to Europe without having to keep track of the total number of days you have spent in Europe?

Residence

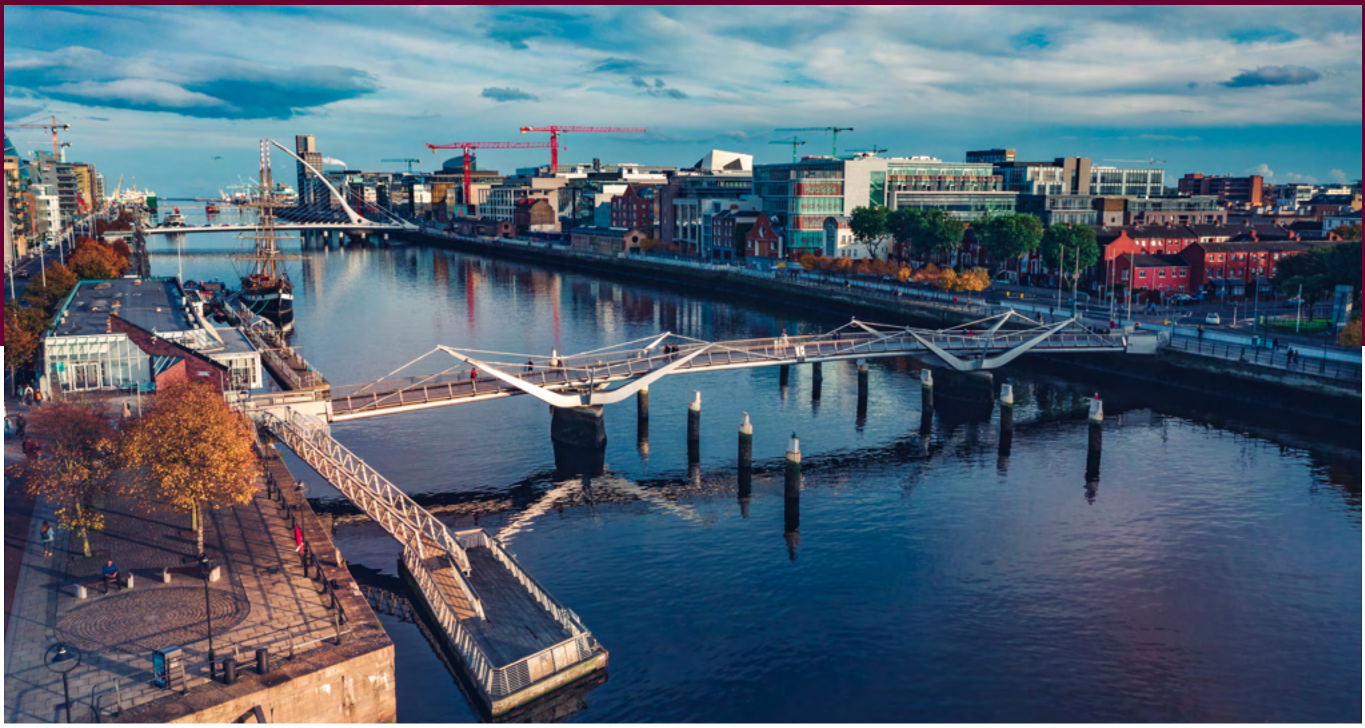
To remain in a Schengen county for longer than 90 days you must have a residence permit. The regulations and requirements for residence depend on the national laws of the country where you will be staying, but as a general rule there will be a basis for your residence and that will correspond to your rights in the given country.

IMMIGRATION

(cont.) For example, in France you can apply for a Visitor's Visa which will allow you to stay in France for up to a year, if you can demonstrate that you have sufficient financial resources to support yourself and a verified address to reside in France. You must not be employed locally, as then you are not deemed a visitor. You can reapply for the Visitor's Visa after your first year of residence and then you will be issued with a residence card (carte de séjour).

Other countries, such as Belgium and the Netherlands, do not have this type of visitor status, however options exist that allow you to qualify for residence even if you are not an employee sponsored by a local employer.

If you are in a relationship with an EU national this can be the basis of a residence permit and in some EU countries you don't even need to be married. In Belgium, there is a retirement status that you could take advantage of. In the Netherlands, a trade treaty makes it very easy for Americans to reside as a self-employed person, even if they don't actually do any business.



IMMIGRATION

Regardless of the option that is best for you, it is important to consider this before you reach the end of your 90 day period in the Schengen area so that you are not deemed ineligible because of an unfortunate overstay,

It's also important to note that a residence permit in one European county does not allow you to move and live in another European country. Each residence permit only extends to the border of the country issuing it and currently there is no European-wide residence permit (such as a green card is in the US) That said, the time spent in the country where you hold a residence card does not count toward your visa free term and you are free to visit other European countries for up to 90 days in any 180 days, as described above.

Work

What if you want to work in the country where you will be staying? Nearly always, work authorization is something separate from residence authorization. The exception to this are residence cards for self-employed persons which allow you to work for yourself. Residing as a dependent family member also usually allows you to work freely in the local labor market.

However, in most cases, you are required to have a work permit to perform any employment. Work authorization is required regardless of whether you are visiting or residing in the EU.

IMMIGRATION

(cont.) For example, you may be able to visit Europe for a few months on the basis of just your passport, but any work that is done would require a work permit. This is true even if the work is only for a day. Of course there are well known exceptions for business meetings, but the type and duration of a business meeting not requiring a work permit is determined by each country individually.

Moreover, work authorization in one European country does not authorize you to work in another European country. To travel to another country and perform work you should be familiar with local regulations to avoid engaging in illegal activity. This may sound quite severe but, again, given the increasing immigration pressures in Europe it is important to remain informed of local requirements and to be compliant, so that you avoid unpleasant long term consequences that could prevent you from visiting, living and enjoying Europe.

HOW TO BUY REAL ESTATE ABROAD

Investing in property abroad and in a different currency is a successful way of diversifying your portfolio and hedging against inflation. As a real asset, it retains a real value independent of paper currency and let's face it - it's fun. You can use your real estate as a personal vacation home, part-time residence or watch it appreciate while generating a revenue stream. Resist the urge to buy a property on impulse. Instead, do your homework and do it smartly.
For example, when you buy a property in Dubai, you automatically receive a visa that permits you to do business there, however, some countries will not allow non-nationals to purchase property at all.

The most important aspect of making such an important purchase outside of your own comfort zone is not to do it alone. Find a reputable property consultant to help you through the process. It's best to find a person or firm who is well-versed in both your own culture and the one in which you will be making the investment -- someone you can trust.

Determine your financial capacity before you consider where and what you will purchase. Ask your financial advisors, talk with your banks and scope out mortgage possibilities. Knowing how much you can and should invest is the starting point for any intelligent investment.

"Location, location, location" is and always will be the rule in smart real estate, so get to know the area, learn all you can about what constitutes a better investment over another and again, work with agents or consultants you can trust to provide the truth.

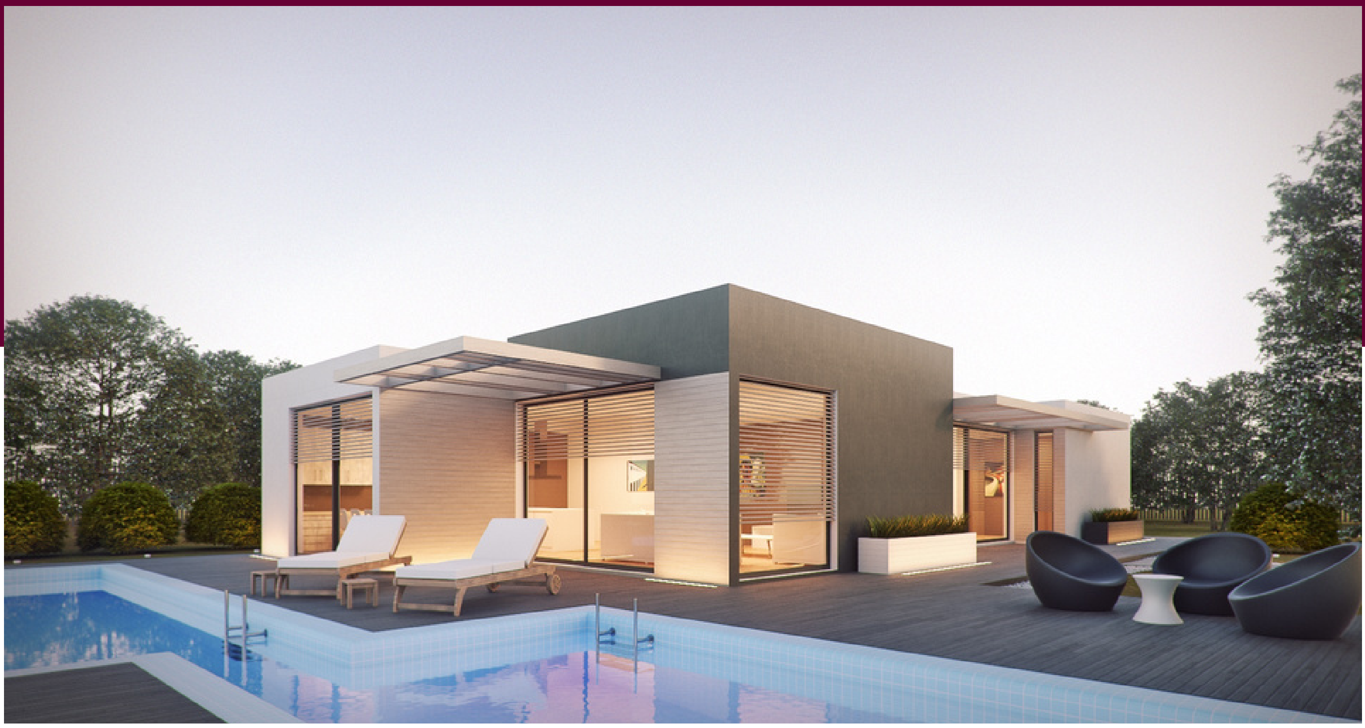
HOW TO BUY REAL ESTATE ABROAD

(cont.) Learn all you can about the differences in the systems - the one with which you are familiar and the one in which you are about to invest. Everything could be very, very different from what you are used to. Knowing what to expect means avoiding the pitfalls along the way.

Don't forget to bone-up on the local politics. Changes in regulations or changes in the political environment could greatly affect your property's value or potential income. In some extreme cases, the government may exercise the right to repossess your property.

Tax and estate laws are important concerns. Every country treats taxation and inheritance differently. Look before you leap or you may find yourself with hefty property taxes, expensive capital gains taxes or inheritance laws that restrict the ability to bequeath the property as you wish.

Go even further in your quest to learn more about tax residency so that you don't wake up one day in your home-away-from-home with income taxes to pay in your second country on earnings from your native country.



HOW TO BUY REAL ESTATE ABROAD

(cont.) How properties are marketed could be very different and lead to mistakes.

The multiple listing system in the US does not exist in Europe and therefore the real estate agents do not have access to all properties. The agents work for the seller exclusively, so 'buyer beware.'

Again, this is another reason to work with a property consultant who has your interests in mind.

Then, there may be the issue of language. If you are not fluent in the language of the country in which you are making the purchase, you will want to employ professionals or translators to ensure you fully understand the documents. This can also be an added expense.

Currency exchange is another issue. Getting the best rate of exchange can be ensured by working with currency specialists who take less of a commission in the 'spread.' In addition, timing of when the transfer is made can greatly affect the outcome of the value to value as the rates change every minute and can fluctuate greatly.

If you are purchasing a very old property, historical restrictions may be imposed affecting your ability to make changes or repairs without authorizations, and consider security, regular maintenance and management - how will you arrange it from afar?

HOW TO BUY REAL ESTATE ABROAD

(cont.) Purchasing property outside of your native land has its challenges... and its many rewards. It's an expensive adventure with large potential, so once again, don't make the mistake of trying to do it without professional advice and assistance.

NON-AMERICAN SPOUSES AND FAMILY

A great opportunity to reduce your tax liabilities to the IRS might come from non-American relatives. This can be a great opportunity but also can bring about many problems.
For example, if the non-US spouse is earning significant income then “married filing separately” can be the appropriate election when it comes to US taxes. This election limits deductions and credits, but prevents the IRS from taxing the non-citizen spouse’s income earned and unearned.

NON-AMERICAN SPOUSES AND FAMILY

(cont.) It is always enticing to keep assets away from the IRS, it shouldn't be your only goal. You can use simple strategies like gifting assets to your non-American spouse. Be aware of a few pitfalls as you can only gift $157,000 to your non-American spouse in 2020. Also note that many countries have estate taxes on spouses (including the US when they are not American). In that case, you would be paying taxes to get your funds back into your name.

You can use strategies through trusts (where they are legal) and educational accounts to pass funds to other family members. You can also manage your family assets and liabilities to shift assets.

It is always better to have an advisor that can work on both sides of the relationship as then you know that he doesn't have a vested interest in keeping assets on one side of the Ocean or the other.

REGISTER TO VOTE AND OTHER HELPFUL ORGANIZATIONS

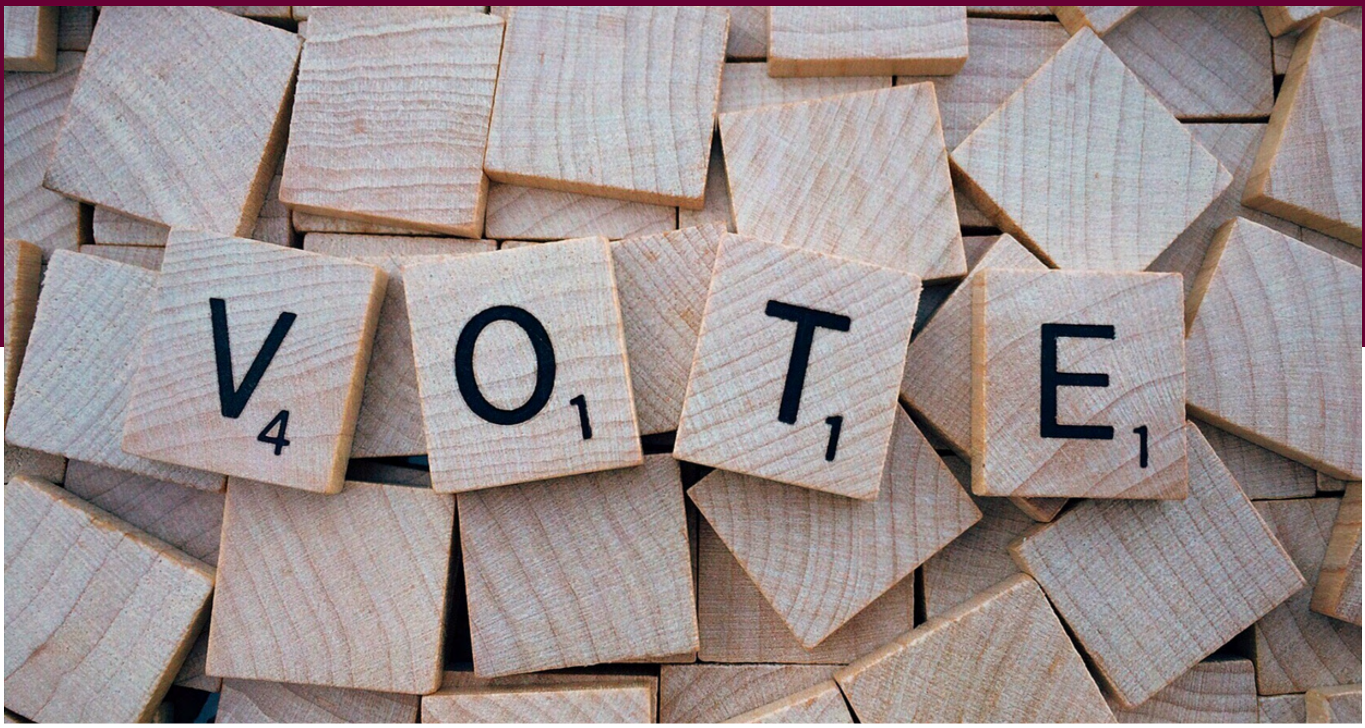
We still have to pay our share of taxes, so we should have the opportunity to elect those running for office, and we do. This link will explain the entire process as to how to register to vote, starting with requesting a voting ballot. Be aware that every state has its own ballot deadline.

REGISTER TO VOTE AND OTHER HELPFUL ORGANIZATIONS

(cont.) You will also want to look into ACA and AARO as non-partisan organizations that help advocate American expats.

American Citizens Abroad (ACA, Inc.) mission is to educate, advocate and inform both the US Government and US Citizens living and working overseas on issues of concern to the overseas US Citizen community.

AARO – Association of American Residents Overseas - Through its international outreach and information-sharing platform, AARO helps to give a voice to Americans living abroad. It provides its members updates on key issues, alerts on the need to take action, and access to a network of experts.



SURRENDERING YOUR US CITIZENSHIP

Ironically, the act of expatriation (or renunciation) was not permitted until 1868. There was no right in the Declaration of Independence, the Constitution or early federal laws, instead the US implicitly followed the English common-law tradition of perpetual allegiance, a feudal concept in which all natural-born citizens are considered to inherit upon birth a debt of obligation to the country in which they are born for the state protection they receive.

This has all changed and now the Immigration and Nationality ACT (INA) 8 USC. 1481(a)(5) allows a US citizen to renounce his or her US citizenship. To complete the renunciation of your US citizenship you must:

I. Appear in person before a US consular or diplomatic officer, this is normally conducted at the US Embassy or Consulate.
II. Must sign an oath of renunciation.

Any other form of renunciation does not take legal effect, therefore you cannot renounce by mail or through an agent. At this point you have renounced all of your rights and privileges and many stories are told that the embassy will tell you that you might not be able to visit the US or even fly through if you relinquish your citizenship.

SURRENDERING YOUR US CITIZENSHIP

(cont.) If you don't already possess a foreign nationality, you will be rendered stateless and therefore you won't have the protection of any government. This will prove to be really difficult when it comes to traveling and obtaining a visa. Renouncing also won't have an effect on any taxes that were owed or military service obligations (contact the Internal Revenue Service or US Selective Service for more information). It obviously doesn't allow a person to avoid prosecution for crimes committed either.

Parents can't renounce citizenship on the part of their children. Similarly, parents/legal guardians may not renounce the citizenship of individuals who are mentally incompetent.

Minors seeking to renounce their US citizenship must demonstrate to a consular officer that they are acting voluntarily and that they fully understand the implications/consequences attendant to the renunciation of US citizenship.

SURRENDERING YOUR US CITIZENSHIP

(cont.) The act of renunciation is irrevocable and cannot be canceled except under the provisions of INA (8 USC. 1483). You will also have to pay an exit tax if any of the below apply:

- Your average annual net income tax for the five years ending before the date of expatriation or termination of residency is more than a specified amount that is adjusted for inflation ($165,000 for 2018, $168,000 for 2019, and $171,000 for 2020).
- Your net worth is $2 million or more on the date of your expatriation or termination of residency.
- You fail to certify on Form 8854 that you have complied with all US federal tax obligations for the five years preceding the date of your expatriation or termination of residency.

You will have to pay a tax on all gains built up with an exclusion of $737,000. increased by inflation each year. Although the number of people renouncing their citizenship keeps rising, most of these are what are considered accidental Americans, people born on American soil but raised elsewhere, therefore retaining rights to American citizenship.

WHERE DO YOU START?

We would recommend talking to an independent Financial Advisor so as to evaluate how all of this affects you.

We hope this guide has been helpful in keeping the world as your oyster!

At Dunhill Financial, we offer complimentary workshops to help you understand all aspects of why financial planning is important.

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Brian is a financial advisor for Dunhill Financial. Past positions have led him to work in many capacities for prestigious firms on Wall Street including UBS, Lehman Brothers, and A.G. Edwards.

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Brian is a past President of the American Club of Brussels, a Board Member of the Sharkey Foundation and part of the advisory committee of American Citizens Abroad, Inc.

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ADRIAN LEEDS

Adrian Leeds, a resident of Paris since 1994, is the founder and director of the Adrian Leeds Group, Inc., a team of North Americans who provide complete property consultation services including property search, purchase and sales assistance, financing, and marketing and development of fractional ownership properties.

She is the author and editor of the Parler Paris Nouvellettre®, Parler Nice Nouvellettre®, editor of French Property Insider, and the author of the first online restaurant guide to Paris published in print and online for iPhone and iPad under the name of Adrian Leeds' Top 100 Cheap Insider Paris Restaurants.

In addition, she developed the popular Parler Parlor French/English Conversation Group in Paris where members from 50 different countries meet to practice speaking French and English.

She speaks regularly at conferences and seminars in both the US and France, mostly on the
topic of Living and Investing in France.

Her sites Parler Paris Apartments and Parler Nice Apartments provide reservations and booking services of luxury apartments for a select group of property owners in Paris and France, and vacation rentals for visitors to Paris and Nice.

Adrian is the most popular and widely recognized real estate agent on the US TV series House Hunters International airs on the network HGTV, and she has appeared on FYI's Tiny House World.

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