

## Moving Abroad: Your Financial Check-list

So you are moving abroad? You have decided to move from the U.S. to abroad 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 U.S. is a “citizen-based taxation” system, or in other words, you are required to file your U.S. 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. Or retiring overseas but do not forget to file!

### 1. File U.S. Tax Returns.

All U.S. citizens must file their tax returns each year to the IRS. You may not have to pay any additional taxes if you qualify for the 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. Foreign Bank Accounts?

Any non-U.S. financial account that you open abroad may have to be reported to the U.S. Department of Treasury. The Form FinCEN 114, or the FBAR, is required to be filed if your combined value of your non-U.S. accounts exceeds \$10,000 at any day during the year. Also, there is a FACTA requirement of reporting accounts that collectively exceed \$200,000 at the end of year. 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. Managing Your Financial Accounts Planning.

Because of the FACTA requirements, foreign banks may limit the services they provide to U.S. citizens. Also, U.S. financial institutions may also curb their services to U.S. expats. Research the various institutions. Obtain a financial advisor with the expertise of handling U.S. expats and the tax implications. Perhaps find that financial advisor before you move abroad but it would be great to find a “local” U.S. expert.

### 4. Do Not Invest In The “Intriguing” and “Interesting” Foreign Instruments!

Did you find your financial advisor with the expertise of U.S. tax implications to U.S. expats? You will need that person to advice on what financial instruments to avoid investing your money. Many “tax-free” plans in foreign institutes could possibly NOT be tax-free for U.S. citizens. 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 U.S. taxes as well as foreign taxes. Consult the financial advisor expert.

## **5. Social Security Coverage and Contribution.**

It is important to understand how social security is affected when working abroad even with a U.S. company. Are you going to continue to contribute to your social security funds in the U.S. 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 U.S. Social Security Administration. Be wary of double contributions unnecessarily 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 U.S. citizens (and green-card residents) living abroad whether you are working or retired. Contact your financial advisor and U.S. tax experts to ensure your protection and enjoy the cultures!

\*FBAR - *Report of Foreign Bank and Financial Accounts*

\*FACTA - *Foreign Account Tax Compliance Act*