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**To:** Clients, friends and interested parties  
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**Date:** June 2013  
**Re:** **How to prevent being financially checkmated**

## Why every European<sup>1</sup> needs North American Bank/Investment accounts.

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<sup>11</sup> This report is particularly aimed at individuals and institutions in countries in economic crisis, regardless of continent. Failing currencies, banks and economies, plus ineffective regulators are currently major issues in many countries. Only a few countries are economically stable outside of North America, including Australia, New Zealand, Norway, Singapore, and Switzerland.

The following pages provide detailed explanations of each topic listed above.

Page 7 provides a table showing the pros and cons of doing business in Canada vs the USA.

The last page provides a general overview of the pros and cons of doing a bank account, brokerage account or CMA account in North America.

## Introduction

The confluence of two entirely different events has changed the nature of banking and investing. Individuals and institutions need to update their strategies and procedures to meet an entirely new reality created by the “new normal” that has become a fact of life over the last five years. Traditional thinking about financial issues no longer works or is relevant.

Event number one arguably started in 2007, with the beginning of the financial meltdown which has been a continuing issue for most countries. It has become very clear over the last few years that only about a dozen countries have sufficiently strong economies, economic systems and the political will to maintain safe banking systems. Individuals and entities, even of modest means, from all other countries, particularly those in the Eurozone, need to diversify out of their local economies to protect wealth. Domiciling assets in more than one country is critical; to protect against temporary (or worse) bank holidays, haircuts, wealth confiscation, etc. -- that have begun in a number of heretofore-reliable countries and may escalate.

Event number two clearly began on the day the US government arrested the UBS banker in the Miami Airport. In the relatively few years since that event, Switzerland and its banking system has been turned into a ghost of its former prominence. The US government, quickly followed by Switzerland’s neighbors, has made a mockery of Swiss independence, forcing it, and the other prominent tax havens, to cave in almost completely on all issues related to financial secrecy and related issues.

The confluence of these two events has turned upside down many basic financial concepts. Tax Efficiency today is very different from even three years ago. Tax Evasion, if your main tax authority is in a modern developed country, is virtually impossible. Legal Tax Avoidance entails very different parameters than it did as recently as 2010. Within the last year, for the first time most major countries’ tax Authorities have met to begin a coordinated strategy of sharing tax payers’ information, eventually seamlessly between nations. Until the recent ‘revolution in taxation’ most Tax Authorities had limited desire to cooperate with their counterparts.

Thus, one has to look at the factors listed on the first page above, when developing long-term financial strategies. Our belief is that North America is the safest and best place to anchor wealth. This report will explain why, the different possibilities, and compare the two main financial regimes of Canada & the USA.<sup>2</sup>

21CA has worked successfully with nearly a dozen financial custodians and asset managers in North America and can help you successfully negotiate an appropriate administrator for your assets. Be in touch for further details.

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<sup>2</sup> The authors take no responsibility for the information given here. It could be incorrect and outdated by the time the reader wants to make their own financial decisions.

## Safety

- The Dollar zone, after much testing over the last 6 years, is still very definitely the World's reserve currency. Most other currencies and financial systems are much weaker than before.
- Satellite currencies like the Australian and Canadian Dollar provide the additional benefit of being closer to the traditional Gold Standard, since energy and other natural resources today have replaced Gold in influencing the value of currencies.
- These countries have stable Political Systems, with well developed independent regulators, to assure the safety of financial institutions.
- They have independent and experienced commercial codes and courts, successfully and relatively quickly resolving disputes.
- Their regulated institutions must do annual third party audits, have independent members on their boards and other safeguards; to insure separation of assets from the promoters and managers, and reduce fraud.
- Accounts have high levels of actual or implied insurance against errors and omissions, misfeasance, etc.
- Both the United States and Canada have good client ombudsman systems to assist with disputes.

## Liquidity

- Securities and savings programs can almost always be sold at any time markets are open, with relatively low fees and penalties.
- Settlement in most cases is no more than 4 business days, often the next day, and money can be wired out at low costs using simple procedures immediately after settlement.
- Many accounts can provide chequebooks and/or Card access to quickly access assets at little cost.
- Some accounts provide 'margin' (brokerage overdraft) to allow money to be withdrawn any time, even without cash to cover it, if there are sufficient securities invested in the account.

## Reduce Costs

- Trading costs are usually well under \$10, sometimes even free, without hidden fees or taxes.
- Generally no ongoing holding charges.
- Higher than normal bank interest available on dormant cash.<sup>3</sup>
- Taxation controlled by treaty and easy to interpret between countries, no need for accountants or extra tax reporting (unless applying for refunds).

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<sup>3</sup> At the time of this writing most US Dollar money market funds and simple short term savings accounts are paying 0.01% per year. however with as little as \$2500 one can get daily access without penalties and get significantly higher returns. Canada Dollar accounts pay higher returns.

## Accessibility and Simplicity

- Most North American custodians have leading edge IT for real-time access to all account information, and to conduct phone and online transactions.
- Customer assistance is available world-wide using highly trained and well paid native English speakers, often via no cost phone numbers and available 24/365 by many of the larger custodians.
- Spanish, French and other languages available depending on the institution and its location.

## Higher Returns

- With much lower fees and taxation, investing via North America compared to other countries, creates higher bottom line returns.
- Due to the volume of business and competition the internal costs of most investments like ETFs and funds are much lower in North America, than elsewhere where the financial institutions are oligopolies.
- Many more savings and investment choices, to allow your portfolio to more closely reflect your goals and needs.

## Superior Savings & Investment Options

- Better regulated markets compared to most countries, with lower levels of insider trading and other abuses.
- Money Market funds, Term Savings Programs, Short-term Bonds and Bond Funds for safe savings, that are government backed not to fail.
- A wider variety of Bonds and Shares to choose from than in other jurisdictions.
- Thousands of well regulated low-cost investment funds.
- Hundreds of well-regulated, high-return, seasoned closed-end funds (investment trusts).
- A thousand ETFs, many with extremely low internal costs.
- Investing between these two countries is almost seamless, basically without borders. In most respects, North America is a unified investment market.

## Stable regulatory environment

- Independent regulators that monitor the brokers, the banks and the individual securities.
- Minimal political interference with the regulatory process.
- Tighter regulations since the 2008 meltdown.
- Relatively easy to register a complaint that will be taken seriously and investigated.

## Tax Efficiency<sup>4</sup>

- Tax treaties and related agreements with most of the World's other countries makes reporting of North American accounts in more than one country well-defined and relatively easy.
- Dividends, interest, royalties, depreciation, etc. taxed at source using treaty rates, and if no treaty exists with the country of the customer, usually taxed at 30% in the USA and 25% in Canada. It is relatively easy to determine rates and procedures beforehand.
- Capital Gains made in North America are not taxed at all if you are not a citizen or resident of the country!
- Good documentation for use in reporting in your home country and to potentially receive a tax credit for taxes paid abroad when there is a tax treaty.
- Neither country requires tax reports from non-citizens investing from abroad, nor is there much ongoing disclosure needed to the IRS or the CRA.

## Currency Diversification

- Easy access to most of the world's major currencies through ETFs that act like money market funds.
- Access to all significant markets converted to the Dollar via ETFs and investment funds
- Access to the sovereign bonds of the major Democracies and their major corporations.
- Depending on the account, access to commodity-traded currency pairs.

## Dollar & multi-currency Checking

- Banks in Canada offer US Dollar chequebooks and accounts, in addition to Canada Dollar Chequing.
- US Dollar Chequing is often available as part of the package with US onshore brokerage accounts.
- Wire transfers in and out of these custodians can often be in any recognized currency at relatively low cost.

## VISA & American Express Cards

- Both Debit and Credit cards are often available with Bank accounts.
- US Dollar Credit and Debit cards are often available as part of the package with US onshore brokerage accounts, when opened by a knowledgeable agent.
- Cards can be used for low cost, anonymous, cash withdrawals in local currency at Cash Machines around the World.

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<sup>4</sup> Obviously the details given here are a broad overview and subject to constant changes. Like everything in this report, if you want to move forward, first do tax and legal research and get written opinions, so there are no unpleasant surprises.

The authors take no responsibility for the information given here. It could be incorrect and outdated by the time the reader wants to make their own financial decisions.

## Checking, Credit/Debit cards & Investments in one integrated Account

- US Dollar Chequing is often available as part of the package with US onshore brokerage accounts.
- US Dollar Credit and Debit cards are often available as part of the package with US onshore brokerage accounts.
- Low or No-Cost automatic bill paying of North American based obligations is also often included.
- These are known as CMA (Cash Management Accounts) Accounts and are only available at major US brokerage firms.
- In Canada, there is often 'back to back' banking available, parallel to investment accounts.

## Effective Asset Management

- Self-directed accounts are easy to manage because of the excellent IT.
- Or, use a proven, successful, professional North American Asset Manager to get steadier and higher returns.
- Low fees and very personalized service is available from some of the top personal wealth practitioners in both countries.
- Or, use your existing manager to operate your new North American account (we will teach him/her/them how to do it).

## Lower level of intrusive documentation

- The United States has a lower threshold of documentation for opening and maintaining domestic accounts than most other countries.
- All Canadian institutions conform to FACTA requirements, but on a slightly different basis than most other countries, since many Canadians maintain accounts in the USA, and vice versa.

## Pros & Cons of doing business in Canada vs the USA<sup>5</sup>

<u>Key Issues</u>	<u>USA</u>	<u>Canada</u>
Privacy	High, but certain information regularly reported to the IRS.	High, but certain information regularly reported to the Canada Revenue Agency.
Ease of opening an account	Generally easier than any other major jurisdiction.	More documentation and identification needed than in the USA.
Reporting	Generally great IT. Internet plus electronic reporting via telephone. Calling is often free from many European and other countries. Detailed progress reports by mail and/or internet and/or phone.	Similar but not quite as comprehensive or low cost to use. Phone service generally only during Canadian business hours.
Costs	Generally the lowest. Depending on the type of account wanted and its size, maintenance costs will often be nil and transaction costs can be a handful of Dollars, going down to a fraction of a penny per share. Often 'no-load' investments offered at no trading cost.	Often more expensive than USA costs, but generally much less than in Europe or elsewhere.
Tax considerations	The IRS has made all institutions conform to their tax reporting requirements. Everything is simple, and clear, and easily reportable back to other tax authorities. Taxes taken at source, non-treaty max rate is 30%. Most countries have tax agreements with the USA. Procedures for getting tax refunds, are relatively simple and work smoothly. To understand your tax situation when doing an American account, go to: <a href="http://www.irs.gov/pub/irs-pdf/p515.pdf">www.irs.gov/pub/irs-pdf/p515.pdf</a>	The CRA has made all institutions conform to their tax reporting requirements if the account is properly opened as non-resident. Tax is paid at source based on Treaty Rates or 25%, whichever is lower. Everything is easily reportable back to other tax authorities. 100 countries have tax agreements with Canada. To understand your tax situation when doing a Canadian account, go to: <a href="http://www.cra-arc.gc.ca/tx/nnrstdnts/ndvdl/nnr-eng.html">http://www.cra-arc.gc.ca/tx/nnrstdnts/ndvdl/nnr-eng.html</a>

<sup>5</sup> Everything mentioned here is general information based on experience, and will vary widely between institutions.

## Comparing types of Accounts<sup>6</sup>.

<u>Account Type</u>	<u>USA</u>	<u>Canada</u>
Savings Accounts	Available at local Savings Banks, Credit Unions, Commercial Banks, also at Fund and brokerage firms	Available at local Trust Companies, Credit Unions, Commercial Banks, Fund and brokerage firms
Checking Accounts	Available at local Savings Banks, Credit Unions, Commercial Banks, Fund and brokerage accounts	Available at local Trust Companies, Credit Unions & Commercial Banks
Investment Accounts	Available usually at the investment affiliates of local Savings Banks, Credit Unions and Commercial Banks. Or, directly with Mutual Fund Management Firms, and Investment Brokerage firms.	Available usually at Trust Companies and Commercial Banks. Or, directly with Mutual Fund Management Firms, and Investment Brokerage firms.
Cash Management Accounts where you can do savings, checking, investing and other services all from a single account.	Available from most major brokerage firms and most Mutual Fund Management Firms.	Not available in one integrated account, but often available as separate accounts within the same institution.



## The next Step.

If what you have just read is meaningful, the next step is simple. Contact us for follow-up information to get started.

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