

THE 12 BIGGEST FINANCIAL HEADACHES FACED BY AMERICANS LIVING ABROAD

HOW TO REDUCE THEIR NEGATIVE IMPACT ON CROSS-BORDER LIFESTYLES

Plus, 10 Features of a well-organized Cross-Border Money Management system

Problem #1:

American financial accounts being forcibly closed because you live abroad.

Why it happens.

It's partly retaliation. America has made life and profitability enormously more difficult for financial institutions all over the World. Thus large US financial institutions with offices in foreign countries but doing no licenced banking or brokerage activities in those countries, are required to take out, locally, full banking or brokerage licenses if they have many clients domiciled in your country of residence. For the few hundred or thousands of expat clients in your country it is not economic for large American financial institutions to get a full legal presence where you live in order to serve you.

Problem #2:

Not being allowed to continue to use all the services of your neighborhood bank or other non-American financial institutions because you are an American.

Why it exists.

FATCA has created enormous headaches in general for all foreign financial institutions (technically known as **FFIs**) outside the United States, because of the new standardized reporting requirements that each FFI needs to provide directly or indirectly to the US government. Failure to properly provide required information to the US authorities leads to huge monetary fines from the USA, and possibly impounding FFI assets in the USA. FFIs found not compliant with US imposed requirements are subject to the ultimate punishment of not being allowed to do business with the US banking system (which was the situation for Iranian banks until the end of 2015, and is occurring while this is being written with Russia).

There are additional requirements FFIs must follow if they have US clients. If the FFI is small or has relatively few American clients, they often close their services to American taxpayers. American clients creates expensive reporting requirements for each account. Thus it is often easier to refuse to serve US taxpayers.

This and the previous problem have created a 'catch 22' situation for thousands of American expats, and is not expected to improve any time soon. American financial institutions do not want you on their books if you live abroad, simultaneously local FFI's do not want you either.

Problem #3:

FBAR reports.

Why it exists and the problems it causes.

Supposedly these reports are to help reduce money laundering, racketeering and terrorism. But because Congress does things in broad brush strokes, the law has made every US citizen a potential criminal, should you forget to report some account where you have any authority. Being on the board or being the treasurer of a club or condo association anywhere in the World outside the USA means you need to report the relationship as part of your annual FBAR report.

It is easy to make a mistake. One of the most frustrating things about this report is that it only can be completed online. Each year you need to peck away at your computer and reenter the information from scratch, And repeat it for each family member that needs to file the report. Failure to report any account can lead to huge penalties, totally unrelated to the 'crime'.

Problem #4:

Annual IRS tax reports, and listing of non-American accounts.

Why it exists and the problems it causes.

Since the American Civil War, there has been a requirement for all Americans to pay taxes on their worldwide Capital Gains, interest, etc. As you probably know this is an unusual requirement that does not exist in most other country's tax codes. It began as a way to stem the flow of Americans going to the UK and elsewhere during the Civil War, so as to avoid danger and avoid paying for their share of the cost of that war, and has continued ever since.

Having accounts with non-US Financial institutions (FFIs) means that you have to extract information from each institution to create the equivalent of a 1099, K-1 or other standard end-of-year reporting forms used in the USA. It is time consuming to gather this kind of information from your FFI. Most Taxpayers living abroad need a US licenced tax preparer to help assemble and interpret the required data to meet US reporting requirements. Failure to do all this work can lead to severe penalties. Do it yourself tax preparation for expats is very difficult, see #7 below.

Problem #5:

PFICS: Severe Tax penalties if you hold non-US mutual funds or ETFs

Why it exists.

This seems to be another effort by the American government to pressure Americans to do their investing onshore in the USA. Although existing on the books since the 1980's, PFIC enforcement was part of the economic recovery legislation passed after the 2008 meltdown to help improve the prospects of the US economy.

Problem #6:

US taxpayers living abroad are no longer allowed to buy US Mutual Funds.

Why it exists.

Mutual Funds are partially regulated by the individual States. Many funds are not registered in all US States and Territories, and as a result cannot be bought by everybody, even if living onshore but in a State or Territory with a small population, etc. Since there is no co-regulator if you have an address abroad, there is no access to American Mutual Funds. This has only begun to be rigorously enforced since 2014. See the following article, to better understand the issue:

<http://www.investopedia.com/terms/p/pfic.asp>.

Problem #7:

US tax preparation that meets the needs of the multi-national US taxpayer.

Why this is an important issue.

Online tax preparation programmes, often do not include the additional forms and are not programmed with sufficient knowledge to deal with the unique tax law requirements of the multi-national American Taxpayer. H&R Bloch and similar inexpensive services also do not have sufficient international knowledge built into their systems. Those continuing to use a tax preparer back onshore in the USA, generally have someone who has no training or experience with multi-national clients, and may not have any familiarity with Tax Treaties.

Every bilateral Tax Treaty generally has some unique features that were done because of special situations, lobbyists, or even due to mistakes made by the negotiating teams who created the individual treaties. Often specific tax treaty provisions are only fully understood by US tax practitioners who are working with the Taxpayers from that specific pair of countries. Here is a link to the IRS publication on Tax Treaties, <https://www.irs.gov/publications/p901/>.

Problem #8:

Your (in)ability to manage financial and investment accounts in more than one country.

The problem.

Out of sight, out of mind. Expats often need several years to finally get their lives working smoothly in a new nation. Are they keeping an eye on existing accounts that were left elsewhere? The answer is usually negative.

The World is constantly changing but your investments and other assets are not being properly administered if you are not exercising regular management. Leaving even very conservative investments unattended can be disastrous. If your money is making 2% per year it takes mathematically 36 years to compound up so that it is has doubled. If you are getting 6% average returns it takes only 12 years to numerically double.

However, the situation currently is much worse. Inflation in most countries is over 6%. Money sitting unattended is often only getting 0.01% annual interest. Neglecting one's financial nest-egg can be disastrous.

Problem #9:

Social Security – completing your 40 quarters and filing for benefits to maximize returns.

The problems.

Americans abroad have the same rights and responsibilities as Onshore citizens, but are not able to easily get personalized service to apply for and resolve administrative issues regarding Social Security and other 'Federal Benefits' unless they visit the USA.

- Living abroad does not disenfranchise one from paying into or exercising their rights to the system. Only Medicare does not operate outside the USA.
- On the other hand being self-employed when living abroad can create a double taxation situation.
- Federal Benefit Units at American Embassies abroad are generally under-staffed and under-trained to be of much help for answering general questions.

Problem #10:

Knowing where to file first and what to legally say to maximize retirement benefits in more than one country.

What is the problem.

One of those annoying new acronyms is WEP, the Windfall Elimination Provision. WEP is there to reduce Social Security benefits if you are getting a benefit from an additional source beyond Social Security. For those who have worked in other countries this could mean local Social Insurance benefits, private pensions and other programs that will reduce your SSI payments. The payouts from these other programs generally need to be reported to the Social Security Administration, and this third party income will generally reduce dramatically Social Security payouts below what the American abroad expected. For an overview of this problem, see the following SSA webpage.

<https://www.ssa.gov/planners/retire/wep.html>

Problem #11:

How to develop pension savings to take advantage of the best tax treaties with the United States.

The problem.

Living abroad often means that one does not have long-term employment that properly allows one to save for retirement. The individual abroad, in particular, needs to be proactive and plan to save for retirement. Advisors claim that at least 15% of gross income for middle income earners needs to be invested in order to have a comfortable retirement.

Problem #12:

How to manage banking, spending and investing most efficiently.

The problem.

You have too many accounts all over the place, in the USA and elsewhere, some accounts do not give easily understandable statements and other documentation.

Reduce the number of FBAR accounts outside the USA that need to be reported annually for both the FBAR and the regular tax report.

Try to simplify life and paperwork. Especially as we get older it becomes harder to keep track of all the details.

And now here is one for non-US Citizens:

Problem #13:

The US Estate Tax penalty for non-US citizens who are US tax payers or hold assets in the USA.

Why it exists and its consequences.

The US government is broke and taking advantage of any group that can easily be exploited for higher taxation. Green Card and similar non-citizen taxpayers have been stuck with a tax in recent years that is a potential source of substantial income for the Federal government. Non-citizen taxpayers are subject to the inheritance tax when they die on most US based assets above \$60,000. The same tax for US citizens only kicks in at a many times higher automatic deduction. The tax rate once over the automatic deduction quickly rises to 40%. Thus wealth accumulated in the USA, by non-citizens can be subject to significant loss upon death. Here is how the IRS describes the law for non-Americans:

<https://www.irs.gov/Individuals/International-Taxpayers/Some-Nonresidents-with-U.S.-Assets-Must-File-Estate-Tax>Returns>.



When an international Money Management system is properly setup, Expats and frequent international travelers can have some distinct advantages and conveniences. All these services are provided in English at an American standard wherever possible.

Streamlined Advantage #1:

Car Rental Insurance paid for at no cost by your VISA card.

The benefit.

Car rental companies want you to pay a daily surcharge for car insurance. Top-tier cards are willing to offer the same insurance at no-cost when using their card to pay for the rental. Such a card is available to most Expats and Green Card holders at no cost or hidden agenda.

Streamlined Advantage #2:

Warranty protection paid for at no cost by your VISA card.

The benefit.

Top-tier cards are willing to offer a Warranty Manager Service at no-cost when using their card to pay for the product. Such a card is available to most Expats and Green Card holders at no cost of any kind. The

Warranty Manager Service offers you a number of valuable features, including **warranty registration** and **Extended Warranty Protection**, all available with a simple toll-free telephone call. And with our **Visa Performance Guarantee** you have the option of purchasing affordable Extended Service Agreements.*

Are gifts covered?

Yes, as long as you purchased the gift entirely with your eligible Visa card and it meets the terms and conditions of the benefit.

Are purchases made outside the United States covered?

Yes, as long as you purchased the item entirely with your eligible Visa card and the eligible item has a valid original manufacturer's ~~written U.S. repair warranty of three (3) years or less, store-purchased dealer warranty, or assembler warranty.~~

What is this Purchase Security benefit?

Within the first ninety (90) days of the date of purchase, Purchase Security will, at the Benefit Administrator's discretion, ~~replace, repair, or reimburse you for eligible items of personal~~ property purchased entirely with your eligible Visa card up to a maximum of five hundred dollars (\$500.00) per claim and fifty thousand dollars (\$50,000.00) per cardholder,* in the event of theft, damage due to fire, vandalism, accidentally discharged water, or certain weather conditions.

Streamlined Advantage #3: **Travel Accident Insurance without cost.**

The benefit.

Travel Accident insurance can be costly. Top-tier cards are willing to offer members the following benefits at no-cost when using their VISA to pay for the tickets. The free coverage is for a Principal Sum of \$100,000. Such a card is available to most Expats and Green Card holders at no cost. You and your dependents become covered automatically when the entire Common Carrier fare is charged to your covered Visa Platinum Debit card account (“Covered Persons”). It is not necessary to notify the financial institution, the Insurance Company, or the Plan Administrator when tickets are purchased. Coverage ends when the policy is terminated.

Streamlined Advantage #4: **Extensive Travel related services provided at no cost by your VISA card.**

The benefit.

Travel related insurances can be costly. Top-tier cards are willing to offer members the following benefits at no-cost when using their card to pay for the tickets. Such a card is available to most Expats and Green Card holders at no cost.

Help when you don’t know where to turn. You can count on a wide range of Visa emergency services available whenever and wherever you need them, 24 hours a day, 365 days a year. The Service makes every reasonable effort to respond when you have an emergency—even if you need assistance beyond the services listed here.

Who is eligible for Travel and Emergency Assistance Services?

You, your spouse, and your children [provided the children are dependents under twenty-two (22) years old] may all take advantage of these special emergency services.

Is there a charge for these services?

No. Visa Travel and Emergency Assistance Services are available to eligible Visa cardholders at no additional charge. **Please note: Visa Travel and Emergency Assistance Services provide assistance and referral only. You are responsible for the cost of any actual medical, legal, transportation, cash advance, or other services or goods provided.**

What are the specific services and what do they provide?

Visa Travel and Emergency Assistance Services will put you in touch with the appropriate emergency services should the need arise. Here are some of the ways we can help:

A • Emergency Message Service can record and relay emergency messages for travelers, immediate family members, or business associates. NOTE: Visa will use reasonable efforts to relay emergency messages in accordance with benefit guidelines and limitations, but cannot take responsibility for the failure to transmit any message successfully.

B • Medical Referral Assistance provides medical referral, monitoring, and follow-up. The Benefit Administrator can give you names of English-speaking doctors, dentists, and hospitals; assign a doctor to consult by phone with local medical personnel, if necessary, to monitor your condition, keep in

contact with your family, and provide continuing liaison; and help you arrange medical payments from your Visa or personal account. **NOTE: All costs are your responsibility.**

C • Legal Referral Assistance can arrange contact with English-speaking attorneys and with U.S. embassies or consulates if you're detained by local authorities, have a car accident, or need legal assistance. In addition, the Benefit Administrator can coordinate bail payment from your Visa or personal account. The Benefit Administrator can also follow up to make sure bail has been properly handled. **NOTE: All costs are your responsibility.**

D • Emergency Transportation Assistance can help you make all the necessary arrangements for emergency transportation home or to the nearest medical facility. This even includes arranging to bring your young children home and staying in contact with family members or employers. In the case of a death, the Benefit Administrator can make arrangements for returning the remains of the deceased home. **NOTE: All costs are your responsibility.**

E • Emergency Ticket Replacement helps you with the carrier's lost ticket reimbursement procedures if you should lose your ticket and can arrange delivery of a replacement ticket to you. **NOTE: All costs are your responsibility.**

F • Lost Luggage Locator Service can help you through the common carrier's claim procedures or can arrange shipment of replacement items if an airline or common carrier loses your checked luggage. The Benefit Administrator can also arrange a cash advance with your Visa issuing bank. **However, you are responsible for the cost of any replacement items shipped to you.**

G • Emergency Translation Service provides telephone assistance in all major languages and helps find local interpreters, if available, when you need more extensive assistance. **NOTE: All costs are your responsibility.**

H • Prescription Assistance and Valuable Document Delivery Arrangements can help you get prescriptions filled or replaced, subject to local laws, and can even arrange pickup and delivery of prescriptions filled for you at local or nearby pharmacies. It can also help transport critical documents which you may have left at home or elsewhere. **NOTE: All costs are your responsibility.**

I • Pre-Trip Assistance can give you information on your destination before you leave—information such as ATM locations, currency exchange rates, weather reports.

Streamlined Advantage #5:

Concierge Services provided by your VISA card.

The benefit.

Visa Concierge* Services offers you information and recommendations 24x7x365 on valuable travel and entertainment services while you are home or away. Below are services available to you:

Travel Information and Assistance –

- Flight, hotel, and car rental reservations
- Pre-trip information for major destinations:
 - International currency, exchange rates, ATM locations, vaccination requirements, visa/passport requirements, local weather, and much more!

**Certain restrictions and limitations apply. The costs for goods or services purchased through Visa Concierge Services are the cardholder's responsibility.*

Expert Assistance is just a phone call away.

Visa Concierge Service representatives are available to assist you 24 hours a day, 365 days a year. Simply call the toll free Visa Concierge

Streamlined Advantage #6:

Low cost, convenient, Currency Exchange services.

The benefit.

A properly organized financial system should allow efficient access to cash wherever you travel. Currencies should be available at ATMs in most countries and airports where you travel more conveniently and at lower cost than having to use currency Exchange businesses. Wiring money across borders need not cost more than \$25. Paying bills and transferring money within the USA should never cost more than \$5 and generally be cost-free.

Streamlined Advantage #7:

Simplify Tax preparation.

The benefit.

With a well organized Money Management system, there are fewer items to collect and most tax reporting is simplified and centralized. Collection of data is simple and preparation can be done totally electronically for Americans with their primary accounts in the USA.

Streamlined Advantage #8:

Low cost, Tax reduction strategies

The benefit.

With a well organized Money Management system, no cost and low cost tax protected accounts can easily be created and successfully managed. IRAs, Keoughs, 401-3bs, UTMAs, Trust and many other types of accounts are easily available. Tax sheltered accounts and structures allow savings to grow faster to save for retirement and wealth accumulation

Streamlined Advantage #9:

No-cost banking and investing

The benefit.

With a well organized Money Management system, most fees disappear. Banking, VISA Card usage, cheques, brokerage fees and many other services are without significant cost. The bottom line is that you are comparing no-cost banking with a steady stream of costs at most traditional banks.

Streamlined Advantage #10:

24/7 Telephone assistance via cost free phone numbers

The benefit.

Get your questions answered real-time. Your interactive Money Management System should have a well trained, licenced rep available by free-phone from most major countries.

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