

# ACCESS TO A LIFE ABROAD: REASONS AND STRATEGIES

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As the world becomes increasingly interconnected, embracing the concept of a foreign residence or citizenship can be instrumental in harnessing a range of global opportunities. In response to this emerging trend, we will explore why some American families are considering securing a foreign residence and/or citizenship, how to do it, and various tax considerations.

## UNCERTAIN FUTURE

The driving factors for acquiring a foreign residence and citizenship include:

- A desire to be in a better position to harness global opportunities including work, education, and quality of life.
- Growing concern about economic, political, social, and environmental risks. This includes unfriendly tax proposals, increased political polarization, and the increasing frequency of natural disasters.

Our clients are turning to experts to help them acquire the assurance of a second residence and/or citizenship, which is then crafted into a customized solution. The integrated strategies constitute what we refer to as Backup Plans, categorized below:

1. Rapid Response: instantaneous temporary relocation.
2. American Citizen Living Abroad: either temporary or permanent relocation.
3. Expatriation: permanent and legal departure from the U.S. tax system.

## METHODS OF ACQUIRING FOREIGN RESIDENCE

### Visitor:

The simplest status is as a visitor in a foreign country.

The first consideration is whether a visa, typically obtained at the embassy or consulate of the foreign country, is necessary.

Possession of a visitor visa or having visa-free travel does not guarantee entry. The pandemic highlighted the risks associated with solely depending on visitor status, as Americans encountered restrictions preventing entry into numerous countries, including previously welcoming ones like Canada, the United Kingdom, and various European nations.

Additionally, even when granted visitor status, there are constraints on length of stay for an American in a foreign country. For the European [Schengen States](#) the limit is 90 days per year. Other countries, like Canada, will allow 183 days.

### **Resident:**

The uncertainties with relying solely on visitor status have caused many Americans to seek greater status in their chosen destinations. The tiered statuses begin with work or study permits, extend to annual or time limited residence, and end with permanent residence. These more privileged levels can be acquired through:

1. Family sponsorship
2. Education and employment qualifications
3. Retirement
4. Business expansion
5. Investment/government contribution (aka "Residence by Investment" or "Golden Visas")

It is worth noting that, recently, Residence by Investment and Golden Visas have garnered attention from politicians globally in the media.

## **METHODS OF ACQUIRING FOREIGN CITIZENSHIP**

The United States is one of more than 60 countries that allow its citizens to hold foreign citizenships. Most Americans only possess one additional citizenship, or "dual citizenship". But a more accurate description would be "multiple citizenships", as some Americans possess more than two. By birth, descent, naturalization, or investment, an American can hold two or more passports at once. As enumerated below:

1. Birth in country (aka "Birthright Citizenship" or "Jus Soli")
2. Parents foreign citizenship (aka: "Jus Sanguinis")
3. Lineage (aka: "Citizenship by Descent")
4. Religious affiliation (e.g., Israeli Law of Return)
5. Naturalization
6. Investment/government donation (aka: "Citizenship by Investment" or "Golden Passports")
7. Discretion of government

## **BENEFITS OF SECOND RESIDENCE AND/OR CITIZENSHIP**

Having an alternative residence permit or second citizenship can provide numerous benefits:

- Access to different countries and ability to remain for a longer period.
- Travel without the need of a visa or additional documentation, which can save time and money, as well as reduce the stress of international travel.
- Possibility of qualifying for benefits such as healthcare and education in the foreign country.
- Access to new opportunities for work and living arrangements.

## **IMPORTANT TAX CONSIDERATIONS FOR AMERICANS LIVING ABROAD**

American citizens and residents (i.e., Green Card holders) must report and pay U.S. tax on their worldwide income unless foreign source income is excluded from U.S. income by virtue of an income tax treaty or a specific provision of the U.S. tax code.

There are at least two tax reporting considerations for Americans who are living abroad:

- When they open and fund an overseas bank account. This very likely triggers annual filing obligations with the United States

- When they consider a citizenship by investment (CBI) or residency by investment (RBI) program in a foreign country. This is often done by making an investment in an approved government or private fund. Americans often fail to realize that the fund will be classified by the United States as a [Passive Foreign Investment Company \(PFIC\)](#), which also triggers annual filing requirements.

There are a host of other U.S. international information reporting forms and returns which an American must file. The most common mistake Americans who own more than 10% ownership in certain closely-held private foreign corporations make is not filing [Form 5471](#), applicable to 10% or more U.S. shareholders, through lack of knowledge.

## A WORLD OF POSSIBILITIES

While the various options and tax implications are complex and dynamic, they can be successfully navigated with the help of expert advisors with a deep understanding of all the programs and tax considerations, and who are adept at working with the clients' trusted advisors to achieve their goals.



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