



# PLAN FIRST WEALTH



TOP TIPS FOR BRITISH EXPATS  
LIVING IN AMERICA

# MAXIMISE THE OPPORTUNITY. AVOID THE PITFALLS. LIVE YOUR GREAT LIFE.

## WHEREVER THEY ARE IN THE WORLD, EXPATS NEED TO BE AWARE OF THE UNIQUE AND SOMETIMES IDIOSYNCRATIC RULES THAT CAN APPLY TO THEM.

This is especially true of expats residing in the USA, where some unusual rules exist that can easily trip up conscientious and well intentioned tax payers, and result in shockingly punitive penalties.

We are not tax advisors, although in our line of work, it is inevitable that we will touch upon such matters. Taxation issues will be discussed, but always under the caveat that you must not rely on our word in this realm and you should always seek advice from a tax professional.

### PFICS

The US classifies non-US collective investments as Passive Foreign Investment Companies (PFICs).

Essentially, the vast majority of non-US based collectives (i.e. GBP mutual funds, unit trusts and ETFs) are PFICs (this often includes ISA investments).

PFICs attract a punishingly high tax rate and can be exceedingly complicated and expensive to report. In our opinion, they should be avoided by US connected people.



### UK PENSIONS

We frequently find that once someone moves to the US, their UK pensions are put on the back burner and forgotten.

Unfortunately, this can lead to expats earning depressed/weaker returns due to a lack of management, high fees, inappropriate currency and/ or missing out on capitalising a Final Salary pension at an opportune time.

This topic is discussed in much more detail in the dedicated guide we offer (at no cost) on UK Pensions as a US Resident, but to summarise, British expats with legacy UK pensions, whether Defined Contribution (also known as Money Purchase) or Defined Benefit (also known as Final Salary) have the option to move their pension(s) into an international SIPP.

An international SIPP is a UK pension wrapper that allows a huge array of investments, allows for the conversion into USD (or several other currencies), can help avoid unnecessary UK taxation, can reduce the overall cost, and provides a vehicle for the more proactive and coherent management of your legacy UK pensions, which can often be a significant part of an expat's retirement portfolio.





## 25% PENSION COMMENCEMENT LUMP SUM (PCLS)

UK pension members are entitled to take 25% of their pension as a tax free lump sum (or that 25% of each distribution is tax free). This is a feature of UK pensions that does not have an equivalent in the U.S., and the tax treatment of PCLS in America is determined via application of the US:UK Double Taxation Agreement.

We strongly urge anyone with a UK pension considering taking their PCLS to speak to a suitably experienced cross border CPA.

## DECLARE EVERYTHING – FATCA

We are regularly surprised by the number of people we speak to who tell us that they have assets or income streams that they are not declaring to the IRS – whether it be their UK basic state pension and/ or final salary pension income paid into a UK GBP account, or the proceeds from the sale of a house in the UK (or more specifically the capital gain), or a bank account or investment that they don't declare.

We think this is a mistake. Firstly, the penalties can be extremely high, and ignorance is usually not a defense. Secondly, the IRS is likely to be told about your foreign accounts by your financial institution, who are compelled to under FATCA.

Declare everything, always. We strongly advise that expats work with a CPA who has cross border expertise and experience in filing tax returns of this nature.

## KEEP A UK BANK ACCOUNT

Because of FATCA (Foreign Account Tax Compliance Act) it can be very difficult for someone with an American connection to open accounts, including bank accounts. You never know when you might need a GBP account and you might find it very hard to open one when you need one. If you have one, keep it active. Don't close it to "simplify" your affairs, as you may soon find that the opposite is true.

## STATE PENSION (& WINDFALL ELIMINATION PROVISION)

As a US resident, you are still entitled to your UK basic state pension and can usually back pay for missed years. But, be warned that there is something known as the Windfall Elimination Provision (WEP) that can cause your Social Security retirement benefit to be reduced. If you have less than 30 years of contributing to social security at the time you start your benefits, it is likely that WEP will apply.

**\*National Insurance Number needed.**

**GET YOUR STATE PENSION FORECAST →**

**MORE INFORMATION ON WEP →**



## SOCIAL SECURITY

Similar to the UK state pension, US Social Security provides income replacement for qualified retirees. In order to qualify, you must have worked and paid Social Security taxes for at least 10 years, or more precisely, 40 quarters. The amount of your benefit is based on your highest 35 years of earnings and varies depending on how much you earned, when you choose to start benefits and if you are receiving certain other pension benefits, such as a state pension from another country.

Many expats are pleasantly surprised to learn that the US Social Security program is quite generous in comparison to the UK state pension. Currently, the maximum possible social security retirement benefit is over \$36,000 p.a. at full retirement age, whereas the maximum UK state pension is just under \$12,000 p.a. (assuming 1.3 FX rate). Additionally a qualified non-working spouse is entitled to a benefit equal to 50% of the working spouse's benefit. You can learn more about Social Security in our blog.

## FOREIGN EXCHANGE (FX)

In our experience, it is not cost effective to use your bank to transfer money into different currencies. Even if it appears that there is no explicit charge, the spread on the exchange rate will likely be terrible.

There are dedicated FX platforms that provide a great service at a fraction of the price. You may encounter some difficulty opening an account as a US resident, but there are a couple of FX platforms that we can put you in touch with who are happy to work with US residents.

## MEDICARE

Medicare is basically state provided medical insurance. You still must pay monthly premiums for parts of it and there are still deductibles and copays, but essentially your costs are capped – admittedly at a level still significantly higher than you're going to pay for your medical care in the UK on the NHS, but significantly less than the catastrophic medical bill that we find most British expats fear.

But, you need to pay into social security for 10 years. If you plan to retire before age 65 and you will not have company-provided health insurance, you will need to budget for some very expensive private health insurance.

## SPECIALIST ADVICE

These are the Top Tips for UK expats living in America that, in our experience, people are frequently unaware of, or relate to questions and queries we regularly get asked. As always, we strongly urge expats to seek advice, and to do so from professionals with knowledge and experience working with expats. We're not just referring to financial advisers - this includes CPAs and lawyers, too.

Pay the small additional premium that is sometimes charged for specialist advice - it could end up saving you far more than it costs.

**MORE INFORMATION ON MEDICARE** →



# HOW PLAN FIRST WEALTH CAN HELP.

Plan First Wealth is a US-based Registered Investment Advisor, specializing in cross-border retirement planning and investment management for successful British expats living in America.

## WE ARE HERE TO HELP YOU

- Invest wisely and make good returns.
- Pay less tax and be tax compliant.
- Avoid the expat landmines.
- Organize and maximize your UK pensions.
- Organize and maximize your US retirement accounts.
- Live and retire in confidence with peace of mind.
- Do all of the above within the context of two countries, two tax jurisdictions, two currencies and two government pension systems.

## WE INVITE YOU TO START SECURING YOUR RETIREMENT

- 1 Schedule a free consultation with us.
- 2 Tell us your goals, frustrations and concerns and we will tell you if we can help and how.
- 3 Become a PFW client and build a plan to secure your worry-free retirement. commissions, no revenue sharing, no hidden fees - no funny business!

Our fees are reasonable for the work and expertise involved and competitive in relation to the wider market.

Please contact us at [info@planfirstwealth.com](mailto:info@planfirstwealth.com) and/or [+1.646.201.4865](tel:+16462014865) to schedule a free consultation.

Alternatively, you can visit our website [planfirstwealth.com](https://planfirstwealth.com) and book a meeting with us directly there.



## WHY CHOOSE PLAN FIRST WEALTH



We designed our Cross-Border Retirement Roadmap around British Expatriates living in America.



We use market leading technology to deliver on our proposition.



We have multi-currency investment solutions tailored around you.



We are a fiduciary (we put our clients' interests above our own).



We are fee-only advisors – no one pays us a penny but our clients! No commissions, no revenue sharing, no hidden fees - no funny business!



Our fees are reasonable for the work and expertise involved and competitive in relation to the wider market.

