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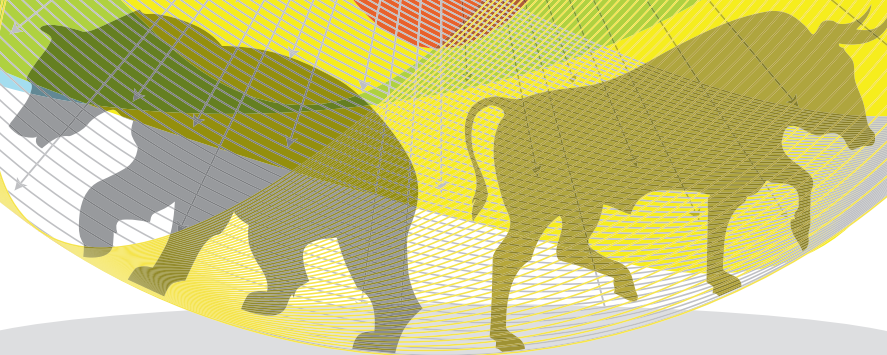
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Transamerica Life Insurance Company

Michael Thaxton, Vice President, Global Link Solutions

“How can I protect my non-U.S. spouse from paying estate taxes when I die?”

By Michael Thaxton

If you're an American citizen with a large estate who's married to a non-U.S. citizen, the IRS, at the time of your death, will require your surviving spouse to pay estate taxes on any assets inherited from you (less the \$5.34 million exemption) at a tax rate as high as 40 percent.

But a qualified domestic trust (QDOT) could help protect your spouse from any immediate estate taxation.

The U.S. government wants its estate taxes upfront from non-citizens. A U.S. citizen married to another U.S. citizen qualifies for an unlimited marital deduction, which means the surviving spouse can inherit any amount of money free from federal estate taxes.

However, the unlimited marital deduction *does not* apply for a noncitizen. Whether you are a citizen or not, should your surviving spouse be a non-U.S. citizen, you may not pass your assets to him or her without a potentially substantial estate-tax consequence. It doesn't matter if your spouse is a resident alien (with a green card). Any amount over that \$5.34 million estate-tax exemption

going to a non-citizen spouse is immediately subject to estate taxes.

A QDOT is designed to protect a non-U.S. citizen spouse. When the estate goes into a QDOT instead of to your surviving spouse, the estate taxes due are deferred during the noncitizen-spouse's lifetime. The surviving spouse then receives income annually from the trust without paying estate tax. If an emergency or "hardship" (as defined by the IRS) arises, your spouse may also receive principal from the trust without paying tax. However, estate taxes will be due on the amount of principal withdrawn during the spouse's life.


It's up to you and your spouse whether these are pros or cons, but there are factors to consider, which include:

- Although a QDOT defers estate tax due at your death for the life of your surviving spouse, he or she may receive trust income, but will have limited access to the trust principal other than for an emergency or hardship.
- Your noncitizen spouse may not be a trustee and at least one of the trustees must be a U.S. citizen or a U.S. corporation.

• If your noncitizen spouse moves outside the United States, the QDOT funds remain here.

• A QDOT defers only estate taxes. When your surviving spouse dies, assets remaining are subject to your estate tax and may be taxable in your spouse's estate with some relief for your estate tax. Any remaining principal will be distributed to the beneficiaries as directed in the trust document.

Don't overlook the benefits of a life insurance policy. To make sure your spouse or children have some cash after your death, consider including a life insurance policy in your overall estate plan. A QDOT may provide for your surviving spouse in the long term but life insurance ensures that funds are available for your loved ones when they need it most. And the death benefit is generally free from federal income taxes and without the disbursement restrictions of a QDOT.

Estate planning when one of the spouses is a non-U.S. citizen requires additional considerations that you should discuss with your financial planner or tax advisor. 

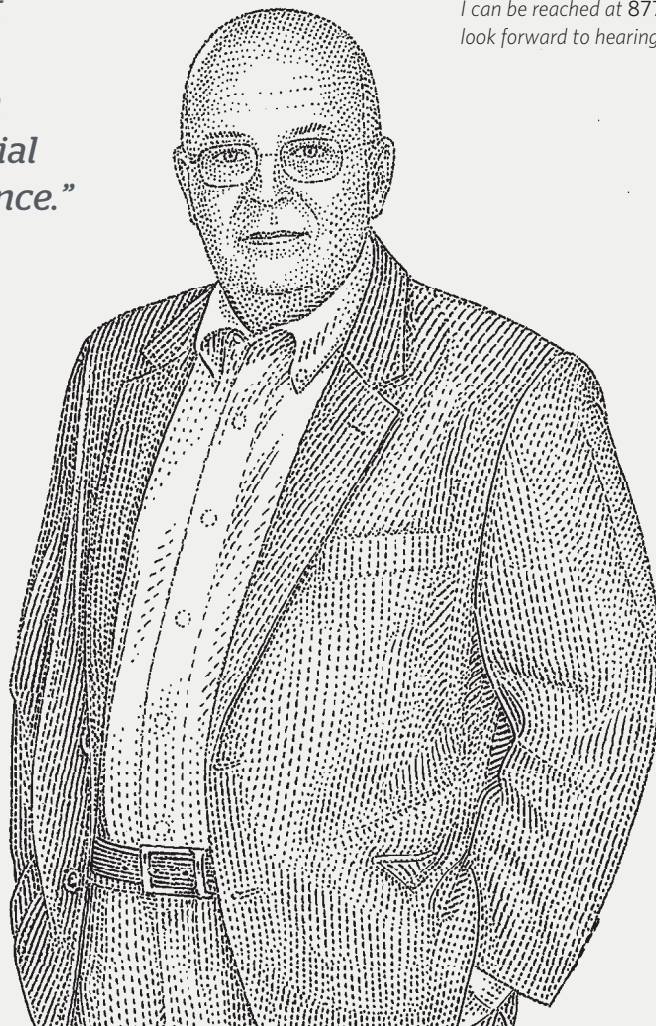
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“Should your surviving spouse be a non-U.S citizen, you may not pass your assets to him or her without a potentially substantial estate-tax consequence.”

—Michael Thaxton

How to reach Michael Thaxton

I can be reached at 877.238.6758 and look forward to hearing from you.



About Michael Thaxton and the Transamerica Experts

Michael Thaxton, vice president, global link solutions, is a subject-matter expert in the international market and has 25-plus years of experience helping small business owners, high-income professionals and high net worth individuals in the United States and abroad build and implement sophisticated strategies for estate-tax reduction, income-tax savings and asset protection. Transamerica’s advanced marketing team leverages years of experience to offer life insurance solutions for the issues that are important to today’s consumers, including complex U.S. tax and estate-planning issues, charitable donation legacies, business planning, and the special needs of a blended family or foreign national client. “Our goal is to help financial professionals be the best advocates possible for their clients. Together, we can create more secure tomorrows.”

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