



Estate Tax Planning for Foreign Nationals

Although Foreign Nationals are not considered U.S. citizens, they still face exposure to U.S. tax law, and may be unaware of the potential implications. Both Resident Aliens (RAs) and Non-Resident Aliens (NRAs) who own certain assets are subject to U.S. federal estate and gift taxes. Life insurance can be an effective planning solution for foreign nationals to mitigate their tax liability.

Consider the following real-life scenarios:*



Luis Garza

Luis Garza is a physician in Mexico who attended medical school in Denver, Colorado. While studying medicine in the U.S., he learned how to ski and developed an affinity for the sport. Now a successful doctor, Luis frequently visits Colorado and recently purchased a ski chalet in Telluride.

Problem: Luis didn't realize that his \$2 million ski chalet created a sizeable U.S. estate tax liability, despite his status as a Non-Resident Alien.

Solution: Luis purchased a U.S. life insurance policy with a death benefit to match the estate tax liability. Because he is a Non-Resident Alien, he does not need to contribute the policy to an irrevocable trust in order to prevent U.S. estate taxes on the death benefit. In addition, the U.S. policy will be denominated in dollars, which will conveniently align with the estate tax liability. However, because Luis' ultimate beneficiaries are Mexican residents, he should consider Mexican income tax implications on the death benefit, or potential ownership by an irrevocable trust.



Mark and Anna Johnson

Mark Johnson is a U.S. citizen and investor, who married Anna, a citizen of the Philippines and reside in Michigan. Mark has been quite successful and now has investments and real estate worth roughly \$8 million.

Problem: As a Foreign National, Anna cannot receive an unlimited amount of property from Mark's estate without paying U.S. estate taxes.

Solution: Mark set up an irrevocable trust with Anna as the beneficiary. What's more, Mark can fund this trust with up to \$145,000 annually (in 2014) as a transfer to a non-U.S. citizen spouse before gift taxes are due.

While Foreign Nationals are taxed differently than U.S. citizens, they have the same goals: to provide for loved ones, protect family assets and maintain viable businesses. Transamerica provides a variety of resources to facilitate sales in this growing market, including:

- ▶ A dedicated international underwriting team, fluent or proficient in French, Portuguese, and Spanish;
- ▶ Access to expertise in U.S. gift and estate planning and advanced sales materials;
- ▶ An entire product portfolio, including term products; and
- ▶ Recently increased international retention limits, allowing for larger case sizes in certain Latin American and Caribbean countries.

Requirements for consideration:

- ▶ U.S. ties
- ▶ U.S. mailing address for policy owner
- ▶ Policy premiums must be paid from a U.S. financial account
- ▶ Travel/Country of residence is on approved list

**For more information, please contact Transamerica's Advanced Marketing
at (877) 238-6758 or foreign.national@transamerica.com**

*All names and locations have been changed to protect customer confidentiality.

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