# Family Legacy Planning for Foreign Nationals

Foreign Nationals want life insurance for the same reasons as U.S. citizens—only they face a different set of rules. Both Non-resident Aliens (NRA) and Resident Aliens (RA) encounter unique U.S. tax challenges when it comes to **family legacy planning.** Fortunately, Transamerica can help you secure international cases with a variety of life insurance strategies.

Consider the following real-life scenarios:*

## The Li Family

Shuming Li is a resident and citizen of China. She owns a chain of language schools and wants to purchase a U.S. life insurance policy in order to provide for her son's education in the event of her death.

**Problem:** Shuming does not have any tangible U.S. assets, nor does she have any business ties to the U.S. However, the family set up a U.S. financial account in order to make tuition payments. In order to obtain a U.S. life insurance policy, you must demonstrate a U.S. connection.

**Solution:** Shuming's son Ming is attending a private high school in California, and intends to go to college there as well. As an immediate family member, Ming qualifies as a connection to the U.S., thus establishing a U.S. insurance need. Subsequently, Shuming was able to purchase a **20-year Trendsetter® policy** with Transamerica; her son's studies here and having a U.S. bank account provide sufficient connection to the United States.

## The DeSantos Family

The DeSantos family owns a profitable family business in Peru. The second generation of the family had recently inherited the business, and needed to provide liquidity in order to cover estate taxes in Peru for the eventual transfer of the business to the third generation, who are U.S residents. They also wanted to purchase insurance on members of the third generation, as the transferred assets would create a significant U.S. estate tax liability.

**Problem:** The members of the third generation, in their early 20s and 30s, did not have sufficient assets to justify the large amount of insurance they would ultimately need. Potential inheritance is not sufficient justification for insurance coverage.

**Solution:** Transamerica was able to justify financial underwriting of a **TransACE® policy** based on the wealth of the second generation and the value of the family corporation. Under the laws of Peru, at the time, which required forced heirship to direct descendants, at least some portion of the family estate would pass to the third generation, and this portion would create a U.S. estate tax liability.

## The MacKedzie Family

The MacKedzie family has significant wealth in Canada, and son Jacques had immigrated to the United States and become a U.S. citizen. Jacques has been very successful financially and does not need an inheritance. Jacques' children are all born in the United States as U.S. citizens.

**Problem:** Although Jacques is financially secure, his parents would still like to hand down a portion of their wealth to his children, their grandchildren. The problem, however, is that transfers directly from a grandparent to a grandchild typically incur a "generation skipping" transfer tax.

**Solution:** Unlike planning with U.S. citizens, transfers of foreign property from a non-resident foreign national to a U.S. citizen would not be subject to "generation skipping" taxes. Using these exempt transfers, Jacque's parents can fund a **TransACE® policy** on Jacques' life through a **dynasty trust** for the benefit of their grandchildren. This leverages funds for future generations with no estate taxes, and provides control over distributions rather than gifting to the grandchildren outright. The dynasty trust has the ability to skip generations without being forced to terminate or distribute assets.

### What is a dynasty trust?

A dynasty trust can be tax-efficient way to transfer significant assets to future generations. By establishing a dynasty trust, large gifts by non-resident foreign nationals to grandchildren or later generations can be exempt from generation skipping transfer taxes. A dynasty trust can also provide creditor protection for beneficiaries and prevent beneficiaries from reckless spending.

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

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

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