How Investments For Expats Helps U.S. Expats

Content

U.S. Expat Problems

U.S expats have three major problems that holt the progress in forms of investing.

1) FATCA - requires all foreign financial companies to report the accounts of U.S. personal to the U.S. department and treasury. For this reason, many overseas banks/Investment platforms do not want to deal with U.S. personal. Therefore, you might have found it hard to open a bank or platform where you are living

2) PFICs - Passive foreign investment company - A cooperation located abroad where at least 75% of the corporation's gross income is "passive"—that is, derived investments or other sources not related to regular business operations. Or at least 50% of the company's assets are investments, which produce income in the form of earned interest, dividends, or capital gains. PFIC tax on the higher ordinary tax rate thus wiping off most of the gains of investments.

3) As a U.S. non resident (which you must declare) most U.S. based banks and investment platforms won't deal with you due to compliance.

As you can see from the above it's a catch 22 scenario for a lot of U.S. expats.

U.S. Expat Options for Investing

Regarding PFIC, you have what is called QEF qualifying election fund. This is taxed such as an ordinary mutual fund in the U.S. the problem is that only a few exist.

The other option is buying several U.S. stocks. Two problems with this option are if your portfolio size is not large enough, it makes it hard to have any real gains in relation to the risk and this is a lot riskier approach and only deemed feasible for sophisticated investors.

Some realistic options are:

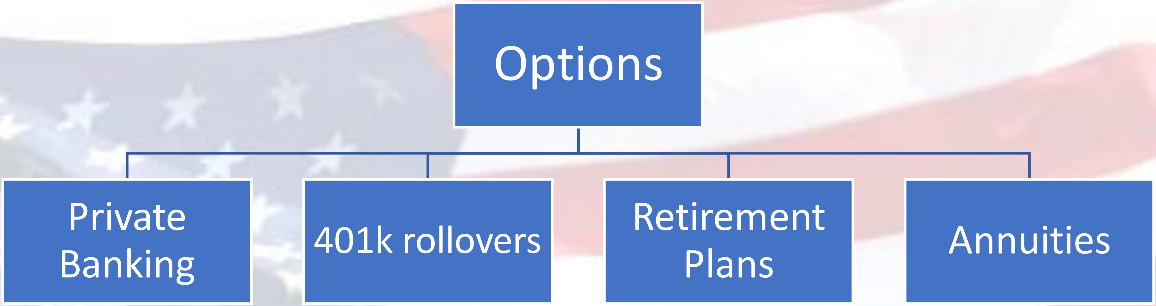
Invest back in the U.S. with some brokerage like IBKR. Some certain platforms may accept you such as Charles Schwab that has specific expat options although it is only open to high-net-worth individuals.

When talking about investing back in the U.S., you also have options to open retirement plans such as Roth's and education plans, 529 Plans that can be more beneficial to you as a non-resident as you can use a state with a low tax rate such as Utah.

Also U.S. expats can use Coverdell plans which are educational plans. But some flaws with Roth's is that they have limits $6000-$7000 and 529 can only be used for some qualified education expenses.

I have written several blogs on my site about these options. For more information, see my website https://investmentsforexpats.com/

How We Help You at IFE



Private Banking
We are helping US expats with private banking from BNY Mellon Pershing platform. The costs are 0.2% 0R $25 a month and dealing cost (please see prospectus). This allows for a wide range of funds and protection for BNY. Tax reporting is the same as with the U.S. and only invest in U.S. based funds.

Starting value cost $50,000
https://www.pershing.com/

401K Rollovers
We help US expats rollover their 401k to a Roth IRA for tax planning, investment freedom, estate planning.

Using platforms TD Ameritrade and IBKR charge 1% on top of the platform fee.

Retirement Plan
We help with setting up retirement plans that are easy to file, allow gross roll up that are only taxed on the gains at distribution as Roth accounts have limits on income and amount. The retirement plan has no income limit. The funds invested outside the U.S. are not subject to PFIC.

Funds are just like what you have in the U.S. A question that often get asked is, can I invest in Vanguard and other popular shares. And the answer is yes.

The cost and structure of the platform 1250 GBP or 0.33% and would need to be 55 to withdraw and takes a SIPPs format so can take 30% then based after GAD rates.

Additional cost are 0.45%-0.1% (dependent on amount) for Novia platform and 25 GBP per trade.
https://novia-global.com/

Please see the links below
UAP US Brochure_compressed.pdf
US Tax Reporting of Non-US Pension Plan V1.03-21 (3).pdf
UAP-US-Plan-Application-Jun21V0.3.pdf

I have linked the guides above but would only use this for amounts over $100,000 based on the charging structure and for those that do not need liquidity until 55.

In short this can work out well if you have larger amounts and looking for gross roll up. It can potentially save significant amounts in taxes allowing for larger investments amounts.

Please speak for specific situations and these are subject to certain specifications. This doesn't mean that it can result in certain tax savings. Also, performance of equities can go down as well as up so might get back less than you put in.

Annuities
Annuities are plans that you out in a lump sum and they will give you a fixed returns for life.

IFE's Fund Selection Guide

Fund Selections
I use the following criteria to select your funds based on your preferences:

1) Using two independent rating agencies (S&P and Morningstar) to ensure that all the funds are 4 stars for conservative portfolios (5 stars being the max with both rating agency) and no fund is under 3 stars.
2) Ensuring that each of the major funds has at least 100 million USD equity and every fund is from major investment fund that is suitably accredited.
3) Ensuring that the average expectation of each fund in line with its objective for over the last 5 years

About the Rating Agencies used

- Morningstar

Morningstar is a leading global provider of independent investment research, conducted by a team of over 100 fund analysts worldwide. Morningstar is highly regarded by investment experts for its in depth research which can help you assess different funds and their potential role in your investment portfolio.

Their analysts employ a rigorous appraisal procedure which is reviewed on a regular basis. They are highly experienced and recognized in the market as providing a clear focus for the investor through the quality, independence, and depth of their research. Morningstar rates investments from one to five stars based on how well they've performed in comparison to similar investments, after adjusting for risk and accounting for all relevant sales charges.

- S&P

Standard & Poor's (S&P) is a leading index provider and data source of independent credit ratings. It is also the provider of the popular S&P 500 Index.

Financial Planning Guideline (using financial planning guideline template)

Table 1 shows the financial planning U.S. guideline for portfolio based on aspirations and timeframe. We will use this table as a template to modify accordingly to your individual circumstances I.E. where you assets are based already and modify accordingly.

Example Reports & Portfolios From IFE

	Conservative	Moderate	Balanced	Growth	High Growth
Time Frame	2 years	3 years	5 years	7 years	10 years +
Return Objective	CPI+ 1%	CPI + 2.5%	CPI + 3.5%	CPI + 5%	CPI + 6%
Int. Equities	21%	38%	44%	53%	55%
Int. Properties	5%	10%	14%	17%	20%
Fixed Interest	50%	38%	26%	13%	0%
Alternatives	0%	0%	10%	15%	25%
Cash	24%	14%	6%	2%	0%

(CPI is the level of inflation that currently stands at 2%).

Demo Portfolio 1: Growth Portfolio

(I have put links to all the funds in the Appendix).

SECTOR	INVESTMENT MANAGER	INVESTMENT NAME	PERCENTAGE %	Charge (%)	Morning Star Rating
Global large cap blend equities	Vanguard	All World ETF	30	0.22	4
Equities technology	Ishares	S & P 500 Information Tech	12	0.15	3
Fixed Interest	Vanguard	Global Bond Index GBP	7	0.15	4
Alternatives Emerging Markets	iShares	iShares MSCI Pacific ex Japan GBP	15	0.35	3

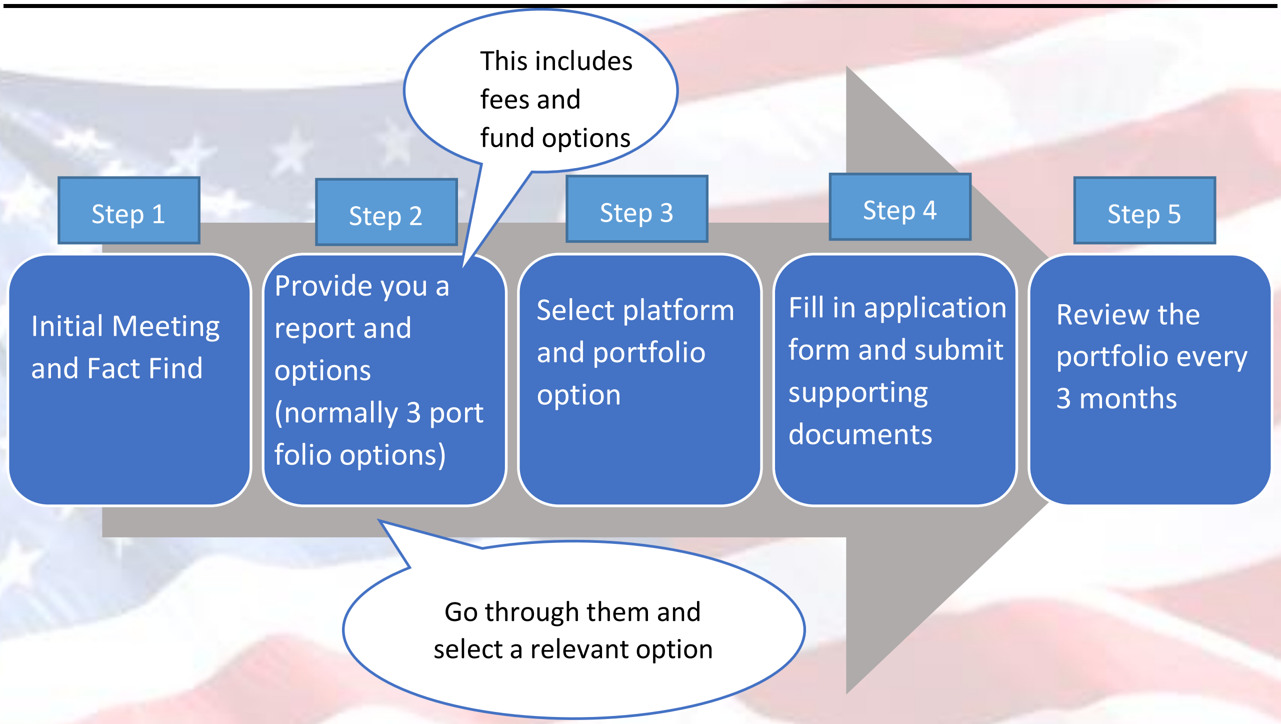
U.K equities	Vanguard	FTSE 250	15	0.15	4
Alternative clean energy	Ishares	Clean energy ETF	10	0.65	NA
European Equity ETF	Vanguard European	European FTSE developed index	8	0.10	4
Cash	Cash	Cash Access	3		

Demo Portfolio 2: Balanced Portfolio

The balanced portfolio is more focused towards fixed interest as a protection against the higher volatility of equities. This would go 5 on the risk scale and look for 5% net a year. The portfolio is also derived from the guidelines and modified for your specific situation.

SECTOR	INVESTMENT MANAGER	INVESTMENT NAME	PERCENTAGE %	Charge (%)	Morning Star Rating
Global large cap blend equities	Vanguard	All World ETF	17	0.22	4
Equities technology	Ishares	S & P 500 Information Tech	12	0.15	3
Fixed Interest	Vanguard	Global Bond Index GBP	20	0.15	4
Alternatives Emerging Markets	iShares	iShares MSCI Pacific ex Japan GBP	15	0.35	3
U.K equities	Vanguard	FTSE 250	15	0.15	4
Alternative clean energy	Ishares	Clean energy ETF	10	0.65	NA
European Equity ETF	Vanguard European	European FTSE developed index	8	0.10	4
Cash	Cash	Cash Access	3		

Overview Action Plan



Other Aspects We Can Help

We also have partners with

- U.S tax filling
- Trusts
- Insurance
- Wills

Commitments and Reviews

I conduct one-on-one client review every 3 months. This will ascertain that the funds are performing adequately and ensure that your portfolio is in balance for the market conditions and your expectations.

Moving Forward

If you have any questions, please feel free to email me at info@investmentsforexpats.com

Thank you very much.

Yours Sincerely,
Henry Temple-Baxter (ACSI)

Appendix

Vangaurd World ETF
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P0000WAHE
Ishare S & P 500 Information Technology
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P000171ZZ
Vanagraud global fixed interest
https://www.morningstarfunds.ie/ie/funds/snapshot/snapshot.aspx?id=F000005KBG
iShares MSCI Pacific excluding Japan
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P0000JTTX
Vangaurd FTSE 250
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P00014D7O&tab=1&InvestmentType=FE
Ishares Clean Energy
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P0000956B
Vanguard FTSE European developed
https://www.morningstar.co.uk/uk/etf/snapshot/snapshot.aspx?id=0P0000YVD4