

Retiring abroad? Review your estate plan before making the move

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If you dream of spending your golden years in a tropical paradise, a culture-rich European city or another foreign locale, it's important to understand the potential tax and estate planning implications. If you don't, you could be hit with some unpleasant surprises.

Avoiding the pitfalls

If you're a citizen of the United States, U.S. taxes will apply even after you move to another country. So if your estate is large, you might be subject to gift and estate taxes in your new country *and* in the United States (possibly including state taxes if you maintain a residence in a U.S. state). You also could be subject to estate taxes abroad even if your estate isn't large enough to be subject to U.S. estate taxes. In some cases, you can claim a credit against U.S. taxes for taxes you pay to another country, but these credits aren't always available.

One option for avoiding U.S. taxes is to relinquish your U.S. citizenship. But this strategy raises a host of legal and tax issues of its own, including potential liability for a one-time "expatriation tax."

If you wish to purchase a home in a foreign country, you may discover that your ability to acquire property is restricted. Some countries, for example, prohibit foreigners from owning real estate that's within a certain distance from the coast or even throughout the country. It may be possible to bypass these restrictions by using a corporation or trust to hold property, but this can create burdensome tax issues for U.S. citizens.

Finally, if you own real estate or other property in a foreign country, you may run up against unusual inheritance rules. In some countries, for example, your children have priority over your spouse, regardless of the terms of your will.

We're here to help

If you're considering a move overseas after you retire, please discuss your plans with us before making a move. We can review your estate plan and make recommendations to help avoid tax pitfalls after you relocate.

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