

The tax and estate planning pitfalls of retiring overseas

Published on July 21, 2016

Have you dreamed of spending your golden years in a tropical paradise or a culture-rich European city? If so, it's important to understand the potential tax and estate planning implications so there are no surprises. These include:

1. Double taxation. If you're a citizen of the United States, you'll remain subject to U.S. taxes even if you move to another country. So 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). 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. However, this strategy raises a host of legal and tax issues of its own, including potential liability for a one-time "expatriation tax."

2. Real estate issues. 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 anywhere in 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.

3. Unfamiliar inheritance rules. 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.

If you and your spouse are making retirement plans to live in another country, please contact us now to reduce the chances of undesirable tax and estate planning consequences later.

© 2016

The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com