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WHY ARE SO MANY PEOPLE GOING OFFSHORE?

What in the *world* are these people *doing?* Well, there are as many reasons as you have dollars in the bank to take your finances and investments offshore, and then some. And the motive? Probably there are as many motives as there are people who go offshore; they cover the spectrum from excitement about valid new opportunities to legally reduce taxes and protect assets, all the way to down and dirty fear about the future. There are a multitude of excellent reasons to consider going offshore at some level, and as long as we are truly free people, these choices should always be available to us.

But will they? *Maybe.* For the moment, many options are still available, and scores of doors are still wide open to give savvy investors a chance to preserve and protect assets, ease tax burdens, and plan for the future.

Of course, you must plan carefully to avoid the pitfalls and dangers you might encounter along the way. To stay out of trouble with government and today's big brother mind-set, it is best to know which lines *not* to cross. The trick is that governments with certain behind-the-scene agendas regularly redefine those parameters in an attempt to control their taxable subjects and hang on to revenues for support of their ever-expanding plans and budgets. As James Bond said, "World domination, same old dream."

This intent is typically in direct competition with most decent folks who work hard and smart to increase their wealth and only wish to provide better financial and physical security for themselves and their families. These are valid aims, and in today's state-of-the-world, you are well advised to explore the many options for going offshore legally, while there is still time. Certain special interests in the world today are trying to close particular doors as we speak.

Like a jealous, insecure miser, the U.S. government has long speculated about missing tax dollars from the untold numbers of citizens who are suspected of evading taxes.

When identifying the suspects of so-called tax evasion, the Internal Revenue Service (IRS) may see little distinction between evasion and avoidance, the latter of which incidentally is still considered legal. But with 250,000 U.S. citizens voluntarily choosing to leave the United States permanently every year, largely due to the specter of taxes, it is clear that a significant number of disenchanted Americans are willing to try something new—an entirely new life. And these numbers don't even include the undoubtedly much larger segment of people who utilize offshore planning and strategies without leaving home.

Australia, another high-tax jurisdiction, also has a large number of suspected tax dodgers who have gone offshore, and the Australian government is cracking down hard to combat the pattern. They are even investigating Paul Hogan, creator of Crocodile Dundee, who has been implicated as a result of Operation Wickenby, a criminal tax investigation in that country. The British government is doing the same dance—and with a vengeance. In Italy, tax evasion is considered a way of life and is jokingly referred to as the national pastime.

The trend of citizens actively protesting their government's tax rates generally occurs in countries where the combined taxes of the local, state, and federal governments exceed 50 percent of a person's gross income. In the late 1970s and 1980s, the United Kingdom was grabbing a hefty 70 percent from the citizenry. This finally led to a tax rebellion of sorts as taxpayers began leaving the country in numbers. And their departures were less discreet than might have been expected, as some of the country's richest and most talented English citizens were quite expressive about their disenchantment of being gouged by the taxman. Reminds one of a certain Beatles tune!

Jean Baptiste Colbert put it eloquently when he said, "The art of taxation consists of so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing."

Well, the English plucked one too many feathers, and the exodus gained such serious momentum that by the early 1990s the government decided to put the brakes on its excessively high tax stance by rolling it back to the previously high level of just 50 percent. There was a collective sigh of relief in many quarters, and gradually expatriates in Spain, the Canary Islands, and other common English hideouts began returning to the mother country.

Among the economic classes in a given country, the upper 2 percent (in part, the "national treasures") include businesspeople, entrepreneurs, industrialists, capitalists, inventors, writers, actors, singers, scientists, and other rich and creative types. They constitute much of the economic foundation on which wealth is created and from which the taxman can taketh. In England, these brightest flowers among her citizenry were often the very folks who had packed up and taken leave. When the government decided to back off, her patriots had to weigh the benefits of remaining expatriates against the lure of returning to their home country, including the welcome-home gift of a new reduced tax structure that now looked strangely like an actual tax incentive. Although 50 percent is still considered to be high taxation, history proves that it is about the maximum level with which citizens are generally willing to cope. And 50 percent is generally the level that taxpayers experience today in the United States, Canada, England, and other first-world industrial nations.

The taxman devised a new strategy for the returning English expatriates of the 1990s who thought they would come home to find things the way they had been before they left. Not so!

The English tax laws included a "foreign earnings deduction." In this scenario, if you were a U.K. citizen and worked overseas in excess of one year, *and* physically spent less than 62 days in the United Kingdom during that year, you were *exempt* from income tax on your foreign source income. No wonder there had been an exodus. The IRS wouldn't consider such an idea for a moment—they would have too many takers!

There was a slight wrinkle in the plans for certain former residents wanting to return to Jolly Old England. In all "fairness," Mr. Blair's government decided that these returning citizens, while in the United Kingdom, would now have to pay income tax on their worldwide income if they had any U.K. source income at all. Ouch! That likely felt like a penalty for leaving in the first place. And why did the taxman do this? Because he could.

The United States, as well as other countries, is well aware of this breaking point with taxpayers. As such, strategies are being formulated at a brisk pace, occasionally with an agenda toward a "one-world order," and in all cases to generally tighten the noose. What might governments do with tighter control of their citizens? Of course, they might tax them even more.

The countries and organizations with an agenda for eliminating tax havens because they see them as "unfair tax competition" include the United States, the United Kingdom, Australia, the European Union, the Organisation for Economic Co-operation and Development (OECD), the Financial Action Task Force (FATF), and the G-7—in other words, countries and groups with the greatest revenue and strongest economies.

Stop the presses: While writing this book in the spring of 2006, I learned that the United Kingdom's stance against tax havens and suspected tax avoiders has stepped up to a new level that I suspect will have an even greater negative effect on the 13 British overseas territories and their status as viable tax havens, particularly for British citizens and Americans.