

CHAPTER 1

Who Are These Cross-Border Families?

There remains little doubt that in the twenty-first century, capital—the factors of production and the resources that make it possible to grow wealth—has become fully globally mobile. Like water seeking its own level, capital invariably flows to where it will be most valued and provides the greatest returns. We tend to think of capital first and foremost as financial capital, but financial capital is *not* the only kind of capital. In fact, globally mobile financial capital is almost always supported by something else: *globally mobile human capital*, that is, cross-border professionals and their families—people with the skills, talents, and drive to succeed and rise to the top, and who are willing to go wherever in the world they find the most opportunity.

Put differently, the large, powerful international companies and interests who deploy their financial capital where it is most advantageous also know that the best and most effective professionals, managers, and other high-level employees for any given situation usually do not come from only one country, including the country the company is headquartered in. These companies regularly recruit, hire, and redeploy professionals to assist, enhance, and even anchor their efforts in different countries depending on the company's overall strategic and tactical needs and the situation at hand.

As a result it is increasingly common to find top-notch individuals who start with a company in one country (usually where they are born), then move to work in another country (often but not always with the same company), and then go on to yet another country or perhaps back to their country of origin. Over time (and sometimes

very quickly) these individuals invariably accumulate assets of various types in more than one country; and, over a decades-long career arc, things can—and usually do—become very complicated.

International professionals have families, parents, children, and other relatives. They have dreams, goals, desires, and long-term plans. And like everyone else, they have personal responsibility for making many significant decisions regarding the long-term management of the wealth they accumulate.

But these individuals must also face *a bit of a quandary*. On the one hand, the spirit that led them to excel and become desirable professionals, thought leaders, and managers of all types is the very same spirit that makes them want to achieve the very best for themselves and their families in the financial long run. On the other hand, the desire to intelligently grow and manage personal wealth can be frustrated or outright quashed by insufficient information, overwhelming details, and a dramatic shortage of places to turn for help.

The purpose of this book, then, is to assist cross-border professionals and their families, and in particular those with a financial connection to the United States, to make better, smarter, and more optimal personal financial and wealth management decisions, both in the short term and long term. Managing wealth efficiently and effectively is never easy and always takes careful thinking and planning, but cross-border professionals and their families—even the best and brightest of a class of individuals who are by definition at the top of the international class—find themselves in a particularly tricky and potentially problematic situation.

The Growing Need for a Definitive Guide

In 10 or 20 years, perhaps, we will look back and wonder with amazement how it was that as late as 2014, when initial drafting on this book began, there was no comprehensive guide to help cross-border families with personal financial decisions and the long-term effective management of their wealth. That is, as made clear throughout this chapter, cross-border professionals and other globally mobile families wishing to align their financial assets and strategies with their long-term goals and life planning objectives currently face a distinctly uphill battle.

Not only do they face three unique challenges—lack of uniformity, complexity, and scarcity of helpful resources—but also, they

find themselves smack dab in the middle of the rapidly changing legal, financial, and regulatory landscape described in the last section. And then, on top of all that, while the community of cross-border professionals and globally mobile families is growing dramatically, the number of firms and individual advisors qualified to help them is simply not keeping up.

More and more, talented professionals from all around the globe are found working—all around the globe. If nothing else, the increasing economic expansion of emerging nations in Latin America, Eastern Europe, and emerging Asia, as well as the continued long-term expansion of China and India, is only going to create more opportunities for education, advancement, and cross-border work scenarios for exceptional and successful individuals living in all those places.

At the heart of this trend, of course, we come back to where this chapter started: to the global mobility of capital, including the human capital that goes along with it. This growing global mobility of capital, then, is coupled with the fact that outstanding individuals of all types, whether they are from a small village in India with only dirt roads or from a privileged background in London, are being sought out by companies and organizations and asked to relocate—often to the United States, which is still the world’s strongest economic engine. So then, just as there has never been more global mobility of capital, there has also never been more global mobility of talented individuals of all kinds, from programmers and coders to security experts to managers and marketers to entrepreneurs and those who support them.

At my firm, Worldview Wealth Advisors, we have long recognized the lack of good information, advice, and places to turn to related to wealth management for cross-border families. Given the growing need, we simply felt that now was the time to pull together what we’ve learned about all of these issues and put it in a place where successful cross-border people from around the globe can access it and benefit from it.

Put differently, the need for a definitive guide at this point in time simply felt obvious to us. This volume is our response to that need by attempting to pull information together and provide usable, practical answers for those who are

not in a position to afford to bring together their own high-level advisory team of financial advisors, attorneys, and tax professionals. And even for those folks who can afford to pull together their own professional team, we believe this book will provide a tremendous head start, because it looks at issues comprehensively and systematically. That is, when an expert is consulted with deep knowledge of a single cross-border relevant area like tax, real estate, investing, or immigration, he or she may not have a sufficiently robust understanding of the big picture to be able to offer advice that is digestible, relevant, optimal, and usable. With *The Cross-Border Family Wealth Guide* at your side, you'll be better informed, better able to work with the professionals you consult, and more able to achieve your goals in the long run.

Who's Who: Who This Book Is Meant to Serve

This book is intended to serve globally mobile families who have a financial connection to the United States, either by being a citizen or resident of the United States or by simply having assets located here. There is a relatively large community of people throughout the world who have financial affairs in both the United States and at least one other country. International or cross-border knowledge workers and other middle- and senior-management professionals, usually working for large corporations, constitute the majority of this community, but of course there are retirees, students, and children as well.

Some of these individuals are originally from the United States, and their knowledge and skills have brought them overseas. More often, people born outside the United States with substantial knowledge and skills are brought here and then stay for a while, and some stay permanently.

Often, top-notch individuals (and their families) move from one country to another, and then to still another, so that before coming to the United States they may have previously lived and worked in one or more other countries. Along the way, these cross-border professionals may accumulate personal relationships as well as financial accounts, real property, and other assets. And then, one day, these individuals may end up inheriting property or money from

their parents—or their parents’ parents—money and property that is located in a country other than the United States.

Examples of Who Might Benefit from This Book

For example, suppose a brilliant young Swiss marketing executive works for a major company in Switzerland. She is then brought over to the Hong Kong office before being further promoted and transferred to U.S. headquarters. Along the way, she leaves certain bank accounts, retirement funds, and other assets in both Switzerland and Hong Kong. Before coming to the United States, though, she falls in love with and marries a Chinese man, with whom she has two children. The whole family then moves to the United States, and while the children will obviously be of Swiss-Chinese descent, they will grow up in the United States.

Education is often a strong priority for international professionals, given their exposure to language, cultures, history, and travel. It’s not surprising that by the time they are done moving through the U.S. school systems, their children will talk like, think like, and act like Americans. But at the same time, these children will also have their national history and background, and in some cases, their citizenry, in more than one country. Whether or not the children grow up in the United States, it is very common for cross-border professionals to want their children to get their college education at U.S. institutions, which are very well-regarded internationally.

Let’s consider another example: a high-level programmer from India who works for a while in London, and then gets transferred to Chicago, New York City, or the Silicon Valley. Regardless of whether he ever moves back to India, he will likely accumulate assets of various types along the way. Bank accounts, retirement accounts, brokerage accounts, real property, and business interests might be part of the equation, not to mention such things as precious metals, collectibles (paintings, antiques, jewelry), and other items of value.

Something else he is likely to gain along the way is a family—a wife and children. Successful young people with busy lives often do not spend a great deal of time focusing on their assets and planning for the future, but with family and increasing maturity generally comes a heightened sense of awareness and responsibility. As the need to intelligently plan for the short, medium, and long-term

economic future becomes clearer, our Indian programmer may find the following:

- He faces unique financial challenges of which he wasn't previously aware.
- He is immersed in, and must necessarily deal with, a complex and changing legal, financial, and regulatory landscape.
- Very few authoritative, reliable, and comprehensive sources of information are available to help guide him.

Diagramming a Cross-Border Person: Residency and U.S. Income Tax Status

In some cases, the cross-border professionals (along with their families) who come to the United States will get a Green Card, and will then decide to stay here permanently and become dual citizens. In other cases, they will return to their country of origin or to some other third country. Similarly, many U.S. citizens will decide to stay abroad permanently—in some rare cases even renouncing their U.S. citizenship—while others choose to come back to the United States. What's common to all of these scenarios, however, is that there will be assets—financial accounts, real property, and other tangible assets—in more than one country, and thereby subjected to the tax laws and other rules and regulations of more than one tax authority.

Traditionally, many individuals would hold onto their Green Cards for many years after they had more-or-less permanently exited the United States, since the ability to return to the country at some point is highly valued. Recently, however, the rules and regulations that make it possible to hold onto a Green Card—for example, how regularly the individual must spend time in the United States—have tightened. Additionally, there is greater awareness today about the need to continue to file tax returns in the United States as long as a Green Card is held; previously, this requirement was often not as well known or followed.

To help clarify things, please consider Figure 1.1, which illustrates a kind of “Who’s Who” for purposes of this book—that is, it shows the

six main categories that people fall into, based on whether they reside in the United States or abroad, and their U.S. tax status (either tax resident or non-resident).

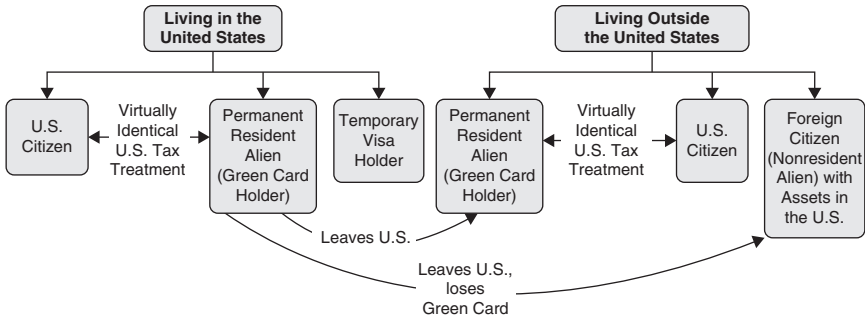


Figure 1.1 Who’s who for the purposes of this book

Moving left to right, the Who’s Who chart begins by dividing individuals into those living in the United States and those living *outside* the United States. Individuals living in the United States are U.S. citizens, permanent resident aliens (with Green Card), or temporary visa holders (either tax residents or nonresidents). We will return to this in detail, but note that a U.S. citizen and a permanent resident alien generally receive identical tax treatment by the IRS, although permanent resident aliens are more likely to have foreign income or assets that are also subject to foreign tax liabilities (like a rental property). Temporary visa holders may or may not be U.S. tax residents, based on whether they have a substantial presence in the United States. Also, temporary visa holders who must pay taxes in the United States may or may not owe taxes on their foreign income, depending on their specific situation. (They may only be subject to U.S. tax on their U.S.-sourced income.)

For those living outside the United States, there are three main categories. The first is the permanent resident alien, generally someone who lived in the United States but no longer does, and still has permanent residency in the United States (possesses a Green Card). Next is the U.S. citizen living abroad, someone who receives virtually identical tax treatment as the permanent resident alien living abroad. Finally, we have someone who is not living in the United States, and who is not a tax resident of the United States, but who has assets in the United States. The U.S. tax code considers such a foreign citizen to

be a nonresident alien (NRA), or more simply a nonresident with assets in the United States.

Note that while the six main categories of individuals are based on *tax* status, the book ultimately goes far beyond taxation issues. Still, taxes are inevitable, and in many ways they form a core background against which each and every one of us has to be aware of and navigate. So while taxes aren't the only issue, and shouldn't necessarily be allowed to be the financial tail that wags the wealth management dog, they also are a vital part of the analysis and recommendations throughout the book and therefore provide the best possible starting point for describing "Who's Who." Moreover, while tax considerations are found throughout the book, all of Part V is devoted to taxes and will review, synthesize, and clarify points about taxes made elsewhere.

Having looked at Figure 1.1, you should be able to fairly easily identify which category you fall into, although your category can change over time if you change your physical residence (moving into or out of the United States), or if you change your work status and therefore tax status in relationship to the United States (Green Card or not, work visa or not, etc.). If you are married, it might be the case that you fall into one category and your spouse or children fall into another, a possibility we'll stay attuned to throughout the book.

How Many Cross-Border Professionals and Families Are There?

How many individuals and families fall into the different categories? Although there are no definitive numbers, a variety of estimates have been made. To begin with, there are estimated to be over 40 million foreign-born immigrants currently living in the United States, whether permanent resident aliens or temporary resident aliens, based on U.S. Census Bureau data. We further estimate that roughly 10 million to 15 million of these people could be considered cross-border *professionals* living in the United States (with higher education and income levels).

In addition, the State Department estimates that there are nearly 8 million nonmilitary Americans living abroad.¹ Although not all of

¹The Association of Americans Resident Overseas (AARO). "8M Americans Abroad," AARO.org. Available at: <https://aaro.org/who-we-are/8m-americans-abroad>.

these people can be labeled cross-border professionals, we estimate that roughly three million of them are either working professionals or retirees (again, with higher education and income levels).

It is impossible to know the exact number of foreign-born individuals who once lived in the United States and now live somewhere else—whether permanent resident aliens or nonresident aliens—but the number might easily be between 10 million and 20 million people. Although there are once again no definitive statistics here, we can assume that the number of cross-border individuals who may benefit from this book is very large (perhaps as many as 30 million or 40 million people).

Unique Challenges Faced by Cross-Border Families Connected to the United States

There are three main unique challenges faced by cross-border professionals with assets in the United States:

1. *Lack of uniformity*: The asymmetric nature of tax regimes and reach—that is, U.S. federal and state tax law reaches much farther than the tax laws of almost any other country.
2. *Complexity*: The complexity of U.S. and foreign laws and regulations.
3. *Scarcity of resources*: Lack of sufficient help and information, especially for those who are not ultra-affluent.

These challenges are further outlined in Chapter 2.