

WORKING EFFECTIVELY



With US-Connected Individuals

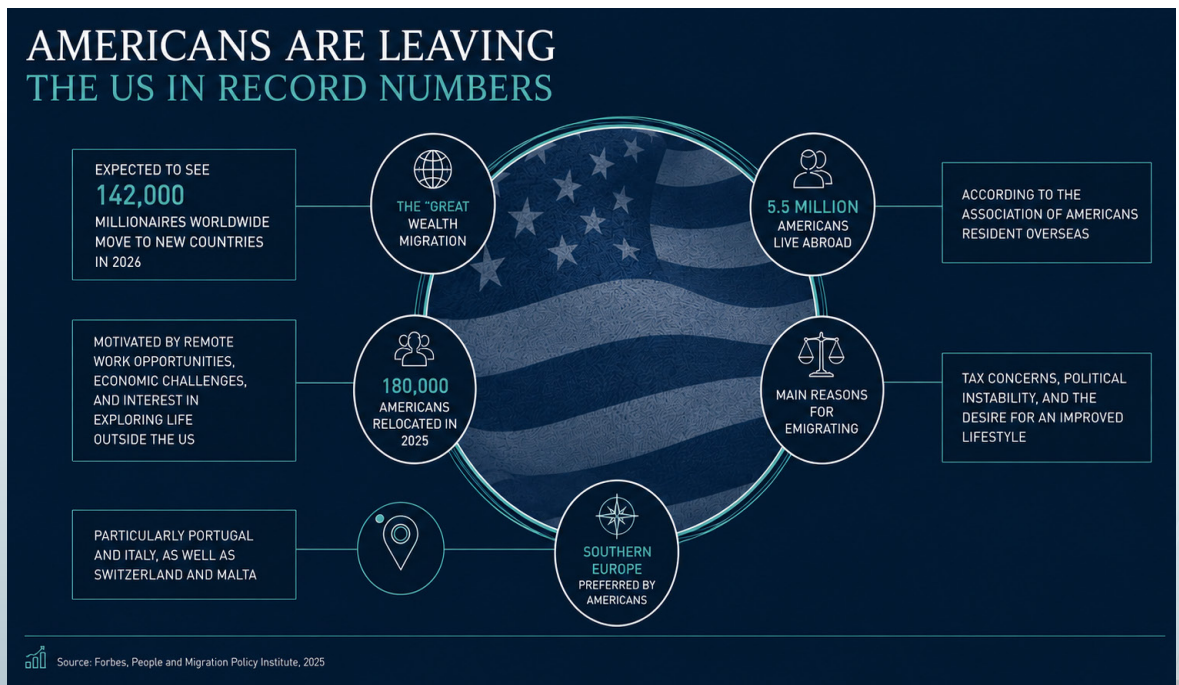


A BLACKTOWER PERSPECTIVE ON CROSS-BORDER WEALTH PLANNING

With increasing numbers of Americans relocating internationally, particularly to destinations such as France, Portugal, Spain, Italy and Switzerland, the demand for specialist cross-border financial planning has continued to grow.

At Blacktower Financial Management, we have seen first-hand how internationally mobile individuals and families often face complex financial, tax and investment challenges when living outside the United States. US-connected individuals remain subject to unique reporting obligations and tax rules regardless of where they reside, creating that can differ significantly from that of other nationalities.

For more than 40 years, Blacktower has worked with expatriates and international clients across Europe and beyond, supporting individuals in navigating the practical aspects of cross-border living, retirement and wealth management.



UNDERSTANDING THE US-CONNECTED CLIENT

US-connected individuals can include:

- US citizens living abroad
- Green Card holders
- US residents
- Individuals born in the United States
- Individuals born to US parents
- Trusts involving US beneficiaries or settlors

Because the US applies elements of citizenship-based taxation, many clients remain required to file US tax returns even after relocating overseas. This often creates additional layers of complexity around investment structures, pensions, reporting obligations and estate planning.

THE MOST COMMON TYPES OF CLIENTS FOR OUR TEAM INCLUDE:

The infographic consists of six rounded rectangular boxes arranged in a 2x3 grid. Each box contains an icon representing a client type and the name of that client type. The background of the infographic is dark blue with a faint image of a sailboat on the left side.

 US Citizens	 US Green Card Holders	 US Residents
 Individuals born in the US	 Individuals born to a US Citizen parent	 Trusts (both US and Foreign) with US beneficiaries and/or settlors

Source: Blacktower Financial Management

THE INVESTMENT CHALLENGES FACING AMERICANS ABROAD

A key consideration for US-connected investors is avoiding investment structures that may create punitive US tax treatment.

Many non-US pooled investment vehicles can fall under Passive Foreign Investment Company (PFIC) rules, potentially exposing investors to unfavourable tax rates and additional reporting requirements.

For this reason, financial planning for US-connected individuals often involves careful consideration of structuring and ongoing monitoring. Areas requiring particular attention often include:

- Cross-border tax efficiency
- Currency exposure
- Pension compatibility
- Estate and succession planning
- Regulatory considerations
- US reporting obligations
- Income generation in retirement
- Global diversification strategies

At Blacktower, we recognise that financial planning for internationally mobile clients cannot be approached with a one-size-fits-all approach. Tax regimes and regulatory frameworks differ across jurisdictions, and local incentives in one country may not translate effectively within the US system, and vice versa.

A GLOBAL APPROACH TO WEALTH MANAGEMENT

International clients often seek solutions that take into account their lifestyle objectives and the regulatory and tax frameworks to which they are subject.

Many US-connected individuals relocating overseas are influenced by a range of factors, including lifestyle considerations, retirement planning, remote working opportunities and broader wealth preservation goals.

Blacktower's international presence and experience working with expatriate clients enables us to support individuals with cross-border financial considerations, while helping them maintain a coordinated long-term approach aligned with their circumstances.

Typical objectives for internationally mobile US clients may include:

- Generating sustainable retirement income in a tax-aware manner
- Managing exposure to multiple currencies and jurisdictions
- Reviewing and consolidating existing financial arrangements
- Building long-term growth with consideration for inflation
- Managing administrative and reporting complexity
- Avoiding structures that may be unsuitable from a US tax perspective
- Coordinating pensions and social security arrangements where applicable

CHALLENGES FOR US CONNECTED CLIENTS



Underlying assets

US connected clients should not invest in any non-US funds that are classified as Passive Foreign Investment Companies (PFICs).



A PFIC is a non-US based corporation where either 75% of the corporation's gross income is investment income by nature or where 50% of the corporation's assets are investments that produce investment income.



Possible to take PAYE salary These conditions generally apply to any non-US pooled investment funds and we therefore recommend that US investors avoid unit trusts, non-US ETFs, OEICs and SICAVs.



In the US, distributions and gains are taxed at punitive tax rates rather than the qualified dividend and capital gains tax rates.



PFICs are taxed to the highest rate of federal income tax, PFICs may have an additional penalty applied for the period of tax deferral.

CHALLENGES FOR US CONNECTED CLIENTS

CHALLENGES

TAX WRAPPERS



In addition to an investment strategy, taxation can also impact the wider financial planning opportunities:

- Non-US pensions may or may not be tax efficient, depending on how the wrapper was funded and which election is taken
- The use of non-US trusts for US connected settlors and beneficiaries is a complex area involving all aspects of investing, income and distributions

As a simple rule of thumb, local tax incentives often do not work in the US and vice versa.

REPORTING BURDEN



Even ongoing tax compliance can be a challenge. For example:

- US citizen is required to complete annual US returns regardless of residence
- The US return needs to be in USD and based on the calendar year, i.e. January to December
- The US has a different tax year to many other countries
- As well as short term and long term CGT rates

REGULATORY ISSUES



In addition to tax issues for the individual, financial institutions have to abide by executive orders and OFAC guidance in ensuring investments for all US persons regardless of residence do not hold certain companies (either directly or within pooled investments).

POTENTIAL ISSUES & OBJECTIVES



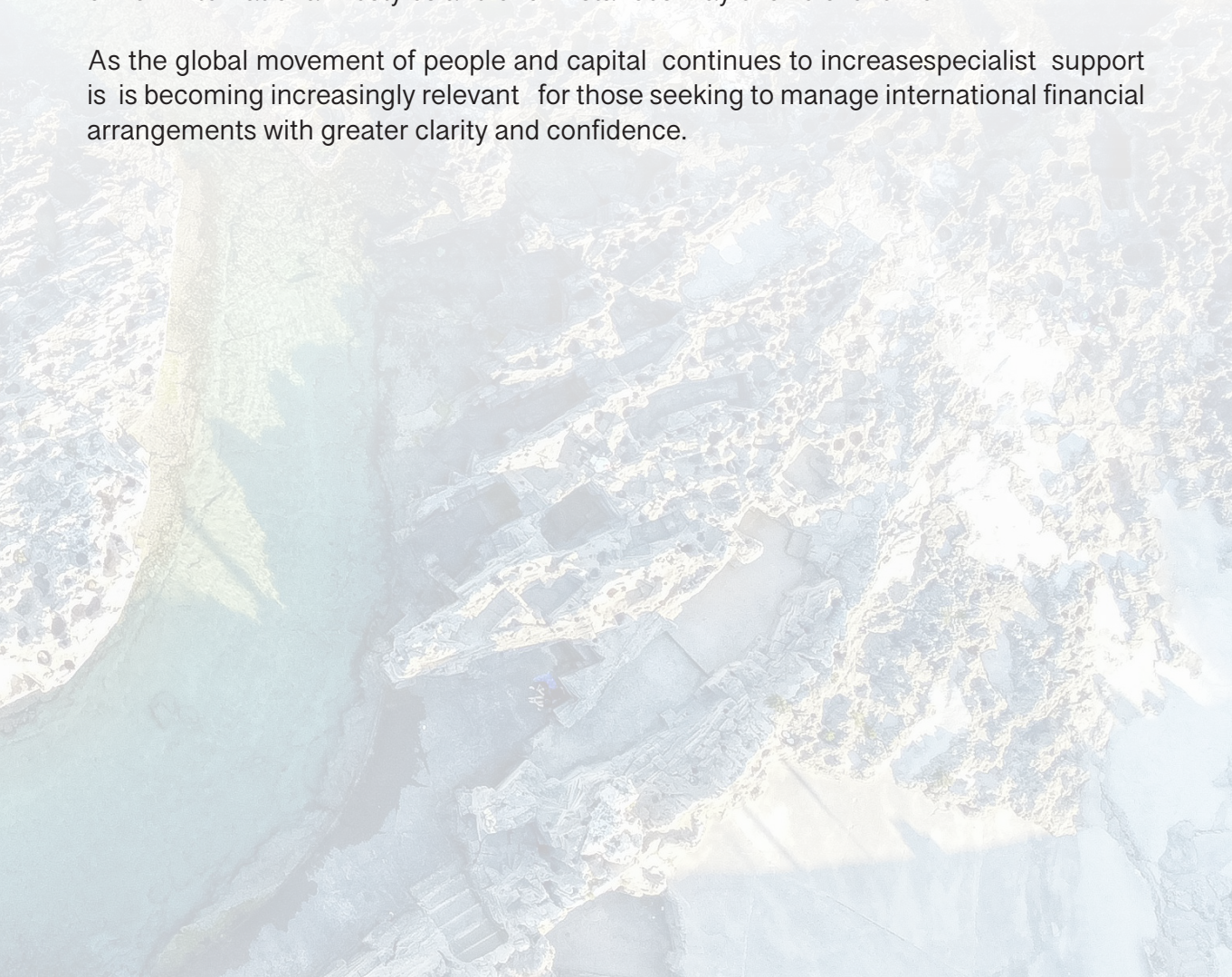
THE IMPORTANCE OF SPECIALIST CROSS-BORDER ADVICE

The international financial planning landscape has become increasingly complex in recent years, particularly for globally mobile families and retirees.

US-connected clients may require coordination between financial advisers, tax specialists, legal professionals and investment managers across multiple jurisdictions. Without appropriate planning, individuals may create unintended tax exposures or investment inefficiencies.

At Blacktower, our approach focuses on long-term planning, transparency and internationally aware financial structuring. We recognise that effective cross-border financial planning requires not only technical understanding, but also practical awareness of how international lifestyles and circumstances may evolve over time.

As the global movement of people and capital continues to increase specialist support is becoming increasingly relevant for those seeking to manage international financial arrangements with greater clarity and confidence.





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