



THE PLAN BY INVESTORS GROUP

GROW

PROTECT

SAVE

ENJOY

SHARE

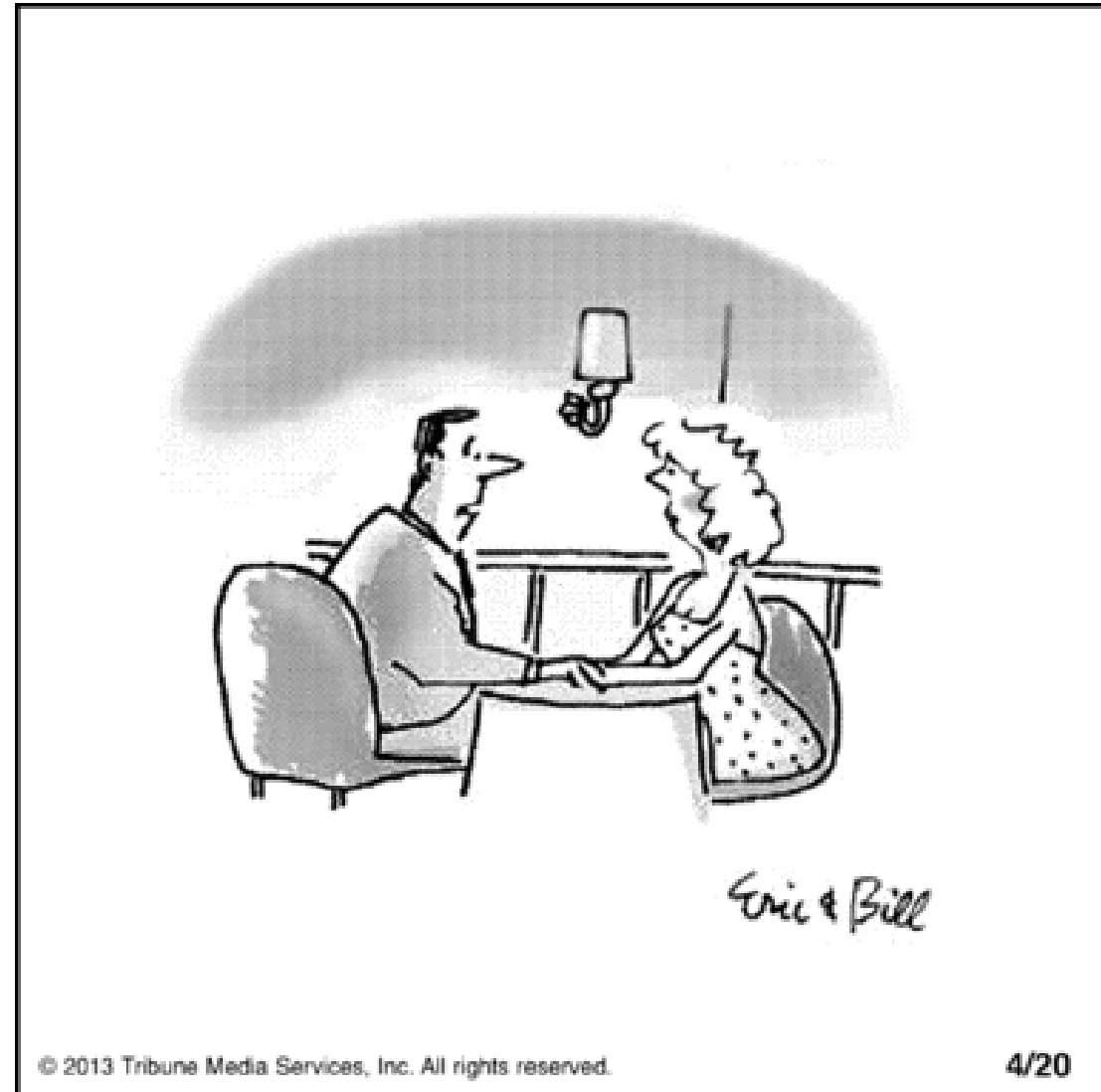
US Citizenship Financial Considerations

This Presentation

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Laughter is the
closest distance
between two
people.

Victor Borge



"We should probably start seeing other people,
like attorneys and accountants."

How I can help?

I offer simple and realistic strategies to assist in making sound financial decisions to build, protect and preserve wealth.

- ▶ In 4 years of professional work experience as a Financial Consultant, my 115 clients have entrusted me with \$8 million in managed assets
- ▶ Investors Group is celebrating 90 years in 2016 and manages over \$133 billion for Canadians
- ▶ Board member of the Royal City Musical Theatre Society & Executive Board Member of Place des Arts, suburban farmer and very proud papa.



Investors Group Financial Services Inc.
Investors Group Insurance Services Inc.*

Terence van der Woude
Consultant

P - 604.941.4697 x239

C - 604.728.2641

E - Terence.vanderWoude@investorsgroup.com

#305 - 2963 Glen Drive, Coquitlam, BC V3B 2P7

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When the needs
of one person
are being met by
the other, there
is laughter.

Yakov Smirnoff



**"Money can't buy happiness. You also need high-yield
stocks, prime real estate, and a solid credit rating!"**

Our Case Study

George (US citizen) & Barbara Walker (Canadian)

- ▶ The Condo in the Portland
- ▶ Property Division
- ▶ Avoid Uncle Sam's Tax Trap
- ▶ US Estate Tax

The Condo In Portland

Disadvantages:

- ▶ No Canadian medical coverage
- ▶ Canadian family contact is restricted
- ▶ Foreign tax regime could be worse!
 - ▶ US estate tax
 - ▶ US gift tax
 - ▶ Complicated filing requirements
 - ▶ OAS payments may cease

The Condo in Portland

Disadvantages:

- ▶ Must spend less than 183 days in Canada
- ▶ Canadian departure tax
- ▶ Loss of special tax treatments
 - ▶ RRSP
 - ▶ RESP
 - ▶ TFSA

The Condo In Portland

days in current year

+ # days in prior year /3

+ # days in second previous year/6

- ▶ Total 183 days or greater and 31 or more days in the current year?
 - ▶ File a US tax return

A day without
laughter is a
day wasted.

Charlie Chaplin



"Your marriage proposal sounds good, Arnie, but I'd like to hear about the retirement plan."

Property Division

- ▶ RRSP - can retain
 - ▶ 25% Canadian withholding tax on lump sums
 - ▶ 15% on RRIF payments
 - ▶ Trigger gains if moving to US to avoid double tax
 - ▶ US will tax growth only
 - ▶ Must make annual election to defer taxation in US

Property Division

- ▶ Unregistered investments
 - ▶ Canadian withholding tax on interest and dividends (not capital gains)
 - ▶ Ensure portfolio is balanced before you leave due to securities restrictions in new country
 - ▶ May be special reporting in new country for foreign investments
 - ▶ Trigger gains if moving to US to avoid double tax

Property Division

▶ Real Estate

- ▶ Principal residence - best to sell?
- ▶ Vacation property - be careful
- ▶ Rental properties
 - If a former personal residence be prepared to prove you are keeping it for it's investment value
 - Withholding tax on gross rents or file Canadian return on net rental income

Property Division

- ▶ Canadian withholding tax
- ▶ Check applicable treaty
- ▶ United States
 - ▶ CPP/QPP and OAS taxed only in the country of residence

Laughter is an
instant vacation.

Milton Berle



“There is no getting away from you guys.”

Avoid Uncle Sam's Tax Trap

▶ US income tax

- ▶ US residents taxed on worldwide income
- ▶ US citizens taxed on worldwide income
- ▶ US green card holders taxed on worldwide income
- ▶ Substantial presence test

▶ Non residents

- ▶ Withholding tax on some US income
- ▶ Employment and business income

Avoid Uncle Sam's Tax Trap

- ▶ US real estate- rental properties
 - ▶ 30% withholding tax on gross rents, or
 - ▶ File form W-8ECI “Certificate of Foreign Person’s Claim That Income Is Effectively Connected With the Conduct of a Trade or Business in the United States”
 - US tax return on net rental income due June 15
 - Tax is levied on gross rents unless filed within 16 months of due date
 - State return may be required
 - Income is taxable on their Canadian tax return too!
 - Depreciation is not optional in the US

Avoid Uncle Sam's Tax Trap

▶ Sale of US real estate

- ▶ 10% withholding tax on gross sale price unless:
 - sale price < \$300,000 US and purchaser will reside there
- ▶ Form to reduce withholding tax
- ▶ US federal tax return is required
- ▶ Withholding tax is a prepayment of US tax
- ▶ State return may be required
- ▶ Report gain on Canadian tax return

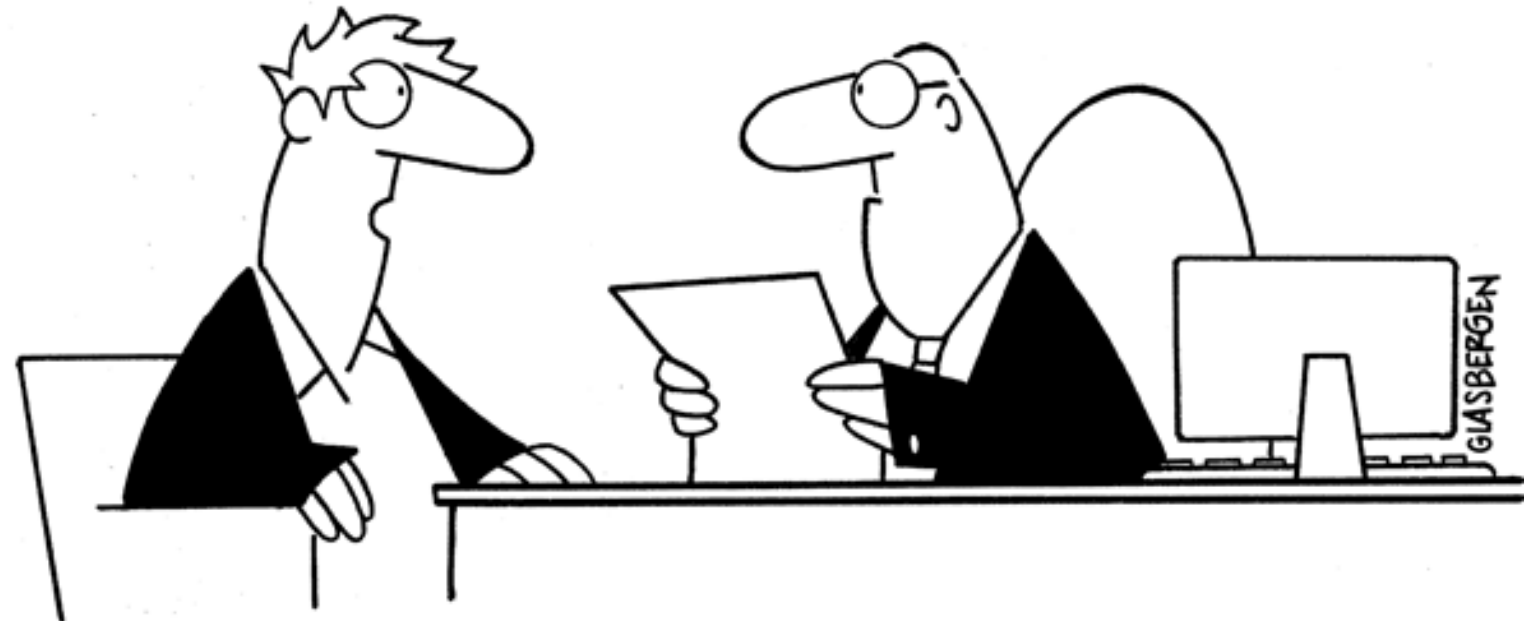
Avoid Uncle Sam's Tax Trap

- ▶ Alternative to filing a US tax return:
 - ▶ Form 8840 “ Closer connection exemption“ by June 15
 - ▶ Proves Canadian residency
- ▶ Double taxation?
 - ▶ Foreign tax credits
 - ▶ Special rules in the treaty

Investments and Retirement Planning

I am thankful for laughter, except when milk comes out of my nose

Woody Allen



“I have 1,872 Facebook friends, so I figure at least ONE will be willing to support me in my old age!”

US Estate Tax

- ▶ Applies to:
 - ▶ Citizens
 - ▶ Greencard holders
 - ▶ Residents
 - ▶ Non-residents on US situs property

US Estate Tax

Calendar year	Estate and gift tax exemption amount	Maximum estate and gift tax rate	Unified credit
2008	U.S. \$2 million	45%	\$780,800
2009	U.S. \$3.5 million	45%	\$1,455,800
2010	N/A (tax repealed) or use 2011 rules	top individual income tax rate under law (gift tax only)	top individual income tax rate under law (gift tax only)
2011 & 2012	U.S. \$5 million	35%	\$1,730,800
2013	U.S. \$5.25 million	40%	\$2,045,800
2014	U.S. \$5.34 million	40%	\$2,081,800

▶ Gift tax may apply

- ▶ Lifetime exemption now is the same as US estate tax exemptions
 - before 2013 \$1,000,000 (only for US citizens)
- ▶ Annual limit is \$14,000 for non-spouses, \$136,000 for spouses (2014 rates)

US Estate Tax

- ▶ US residents
- ▶ Green card holders
- ▶ US citizens
 - ▶ Unified credit amount
 - \$5,000,000 US which is indexed every year from 2012

US Estate Tax

- ▶ Non residents
- ▶ Unified credit amount
 - ▶ \$60,000 US
 - ▶ Up to the same as a resident based on percentage of US assets to worldwide assets.

US Estate Tax

- ▶ Non-residents taxed on:
 - ▶ US real estate and tangible personal property
 - ▶ US stock portfolio
 - ▶ US based mutual funds (not Canadian mutual funds investing in the US)
 - ▶ Deposits with US brokers
 - ▶ US annuities and pensions

US Estate Tax

- ▶ Rates are dropping and unified credit is increasing
- ▶ 2012: \$5M was set and is indexed every year
- ▶ Constant monitoring is required

5 Top US Financial Considerations

- ▶ Avoid:
 - ▶ US citizenship
 - ▶ US green card
 - ▶ Spending too much time in the US
 - ▶ Owning US real estate
 - ▶ Large US stock portfolio

But with good Financial Planning you can reduce or eliminate

Questions?



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