



Global Financial Planning issues

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Bio Anja Luesink

Anja Luesink, MBA CFP® RLP® CeFT® GFP® is the co-owner of Luesink Stenstrom Financial, a holistic wealth management firm based in New York City. She and her business partner know cross-border issues from their own experience.

- She moved in 2001 from the Netherlands to the US and her business partner, Clare Stenstrom, moved from the US to Australia.
- She works with US clients and expats with cross-border issues in Europe (specifically Netherlands) and Australia.
- She is a Global Financial Planning fellow, educated at the Global Financial Planning Institute. This institute was formed out of the FPA International Group, as members realized that education was needed about cross-border planning.

Global Financial Planning – Issues to be aware of

Learning objectives

Global Financial Planning

1. What are global financial planning clients;
2. Non-US Citizens definitions for Immigration, Taxes and Estate Planning
3. What questions to ask clients; what issues can have an impact on their planning and finances – starting with the Exploration
4. Understanding GFP issues that can come up in a planning relation
 - Reporting
 - Tax Issues
 - Retirement Planning / Social Security
 - Investments
 - Insurance Planning
 - Estate Planning
 - College Planning

How to describe cultural differences– different systems of characterization

The 8 scale to map cultural differences.

Resources

Why is it important to know about Global FP Issues?

As a Financial Planner we are trained for Domestic Planning, however

- The US has 30 million legal foreign-born residents and
- Tens of millions of other non-immigrant workers on visas (who often live here a long time)
- About 9 million US citizens live abroad.

You might get a client:

- Who is foreign-born or has foreign-born / non-citizen spouse
- Has assets abroad
- Wants to move abroad in retirement
- Has no relatives in US / beneficiaries abroad
- Comes from a different culture

You have to know what Traps there are in Financial Planning

Global Financial Planning

Divided in 3 Categories:

- **Inbound Planning:** immigration or returning US expats from abroad into the US
- **Outbound Planning:** US citizen moves abroad or expat returns home
- **Cross-border Planning:** Applies when clients and/or their assets maintain a presence in two or more countries.

WHY IS IT SO COMPLICATED?

Because it involves two or more jurisdictions

You have to understand how they interact and it requires knowledge of each country's financial system (and reading the tax treaties).

The US has many requirements for global (US and foreign) citizens.

International Planning needs include:

- Cross-border tax, retirement, insurance and estate planning
 - Immigration and residency issues
 - Investment asset and real estate management
 - Foreign exchange and international accounting
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What is a citizen and a non-US citizen

There is a different definition for a non-US citizen for :

Taxes (IRS) - Immigration - Estate Planning

Immigration / Legal Status: 4 categories

- U.S. Citizens
- Permanent Residents (depending on Visa/Green Card)
- Non-immigrant (e.g. temporary residents) (Visa)
- Undocumented

Tax Status: US citizens and Legal Permanent Residents are **ALWAYS US tax residents** regardless of where they live. Non-citizens are either: US resident aliens or non-resident aliens (NRA) depending on the time they spend in the US. (183-days rule)

Estate – Based on Residency

Questions to ask your clients

Data gathering/Personal

Personal: Citizenship US / Dual / Other citizenship

Family members: living in US / Abroad

Since when in US/ if this year what date did they arrive (183 day physical presence test)

Retirement Planning

Do you plan to leave the country when you retire (be not surprised when they say they don't know). They might! Any foreign retirement accounts / Soc Security / still making contributions?

Insurance Planning

Will insurance pay out when they leave the country? Life Insurance probably will / Disability insurance might / LTC insurance most probably will not. Health insurance should be local or international plan.

Assets - Do you have accounts/ pensions/ assets abroad?

Taxes - Do you report (FBAR) about your foreign accounts? (if any)

Estate Planning

Are your beneficiaries living in US or abroad?

Leaving the Country (Exit Planning)

Does it make sense to keep your citizenship? What are the consequences when you give this up?

Global Financial Planning Issues – Tax

1. Failure to understand citizenship based taxation.

The US taxes on worldwide income and this applies to:

- Citizens & Legal permanent residents (wherever they live)
- Some others under certain conditions (former citizens and resident aliens)

Most jurisdictions tax is based on residency.

2. Tax Reporting

Foreign Bank Account Reporting (FBAR),— Expats with accounts with >\$10,000 outside of the US need to report the account each year (FBAR). Penalties may be as high as 50% of the asset value for willful non-disclosure of a foreign n bank or investment account.

FATCA (Foreign Account Tax Compliance Act) Reporting - Form 8938 –

If you have foreign financial asset of \$50,000 (single filer) or \$100,000 (MFJ) you must file this form.

Inheritance or Gift from abroad reporting

If the gift or inheritance exceeds \$100,000 you need to report it on Form 3520.

No, there is no tax on these gifts or inheritances. The IRS just wants to know about them.

Global FP Issues - Investments

Passive Foreign Investment Corporations (PFICs) –

A PFIC is defined as a foreign (non-U.S.) corporation that meets one of the following two tests: (1) 75 per cent or more of its gross income is passive income; or (2) 50 per cent or more of the corporation's assets produce, or are held to produce, passive income.

Foreign created mutual funds and ETFs are classified as PFICs and leave a client exposed to the highest marginal rate of tax for every year as long as they are holding the investment.

How to avoid them: Invest in individual securities. Not in US-based mutual funds, as they are regulated for US investors, not for foreign. Investors.

Global Financial Planning Issues – Retirement Planning

Retirement Planning

An expat client who wants to move back to country of origin:

How should they prepare for Retirement?

When contributing to 401ks, IRA, Roth IRA or Cash value insurance, when moving back abroad:

How will the other country tax these assets?

How are pensions taxed? **READ THE TAX TREATY** (if any)

Social Security

Will be paid out abroad? Yes!

Will a foreign spouse get the spousal benefit or a survivor benefit? It depends, but in general yes.

When a US person is married to a non-resident alien, living abroad and no ties to US, even in this case, they can apply for the spousal benefit.

Global FP Issues – Insurance Planning

Insurance planning

Check each insurance whether it will pay out overseas:

- Individual Life insurance most often does, Group insurance might not
- Disability Insurance, might not pay or requires a medical report from a US doctor each year (costly while living abroad and sick).
- Long Term Care insurance doesn't (in general).

Health Insurance: Medicare doesn't pay out abroad: clients moving abroad should find local health insurance.

Should clients give up Medicare? this might be costly, when they come back.

Find an Insurance broker who specializes in international policies.

Global Financial Planning Issues – Estate Planning

Estate Planning Documents

Clients with assets in more countries need Estate Planning documents in all countries.

Estate Planning transfers

- Spousal transfers between two permanent residents (\$157,000 annual limit).
- Non-US citizen spouses do not get the marital deduction (QDOT)
- \$60k estate tax exemption on US situs property of Non-Resident Aliens

Ownership of businesses within foreign trust (re-domestication issues)

- Planning for moving and establishing entities for business can save millions of dollars

Non-US citizens who live for a while in the US on a green card moving abroad :

They have to continue filing a US tax return every year

Might have to pay estate tax over their global estate at death

If they want to give up their green card:

- Will they be a Covered expat – Needing to pay exit taxes on their worldwide estate!

Global FP Issues – Exit Planning

Giving up Residency or citizenship.

Beware that a Green Card holder will lose his green card after 6 months, unless some planning. Returning after one year you will be denied entry.

HEART act of 2008 (Heroes Earnings Assistance and Relief Act)

In this act some clauses about leaving the US (Exit Tax):

Client might become a **Covered Expat**, then you will have to pay tax on your total World Wide Estate, deemed to be sold at that time.

To avoid becoming Covered Expat:

- Global net worth is less than \$2,000,000 (per person) – for couple \$4 million.
- Average annual net income tax liability for 5 years ending date of expatriation is less than \$201,000 (for 2024).
- Be compliant in taxes 5-year preceding expatriation date (IRS Form 8854).

You file Form I-407 to give up your Green Card status, but after careful planning.

Financial Planning Other Issues

- **Exchange Rate issues**

For an overview of assets bring it back to one currency

Plan for future distributions in other currency

- **Banking:** foreign exchange, opening accounts, credit cards, managing different currencies, global anti-money laundering, reporting
- **Comparing Cost of Living** – If client want to retire abroad, find out cost of living there and plan accordingly.
- **College Planning** – when children go to a foreign university, that might make a big difference. What about 529 plans?

Have a network with the best specialist professionals to refer clients to!

Impact of culture

Understanding cultures and upbringing of your clients: (a few examples)

- What is the role of family?
- How do they think about saving for retirement?
- What do they think about paying taxes?
- What means money/status?
- Trust in investments

Traditional differences between West and East (but things are changing)

Western philosophy

vs

Eastern philosophy:

Aristotle

Confucius

Everything/everyone exists in itself

Identity is determined by environment/ you are part of a group that determines you

How clients see themselves



Being open to Individual Differences is not enough

Argument

Speaking of cultural differences leads to stereotype and put individuals in boxes with 'General traits'. Why not focus on the individual differences?

If you assume that culture doesn't matter, this means you will continue to view people through your own cultural lens and judge or misjudge accordingly.

If you ignore culture, you might end up with wrong conclusions.

Learning about cultures can bring you a different perspective.

You need to have both an appreciation for cultural differences and respect for individual differences.

Moving to a different country is a Big Transition

Transition issues

- Normal transition difficulties for a big life change

Plus

- Cultural differences

Erin Meyer: The Culture Map

Shows how to map cultural differences on 8 different scales, to get more insight in why things are different between your home country and the other country

8 scales to map cultural differences

1. Communicating: from Low-context x High-Context
 2. Evaluating: Direct negative feedback x Indirect neg feedback
 3. Persuading: Principles-first x Applications-first
 4. Leading: Egalitarian x Hierarchical
 5. Deciding: Consensual x Top-down
 6. Trusting: Task-based x Relationship-based
 7. Disagreeing: Confrontational x Avoiding confrontation
 8. Scheduling: Linear-time x Flexible time
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Communicating: from Low-context x High-Context

- USA and other western countries: Good communication is to be as literally and explicit as possible. (Low context)

- Asia: India, China, Japan, Indonesia (possible African countries also)

Good communication is conveying messages implicitly, requiring a listener to read between the lines. Good communication is subtle and layered and depends a lot on context.

Japanese learning: Reading the air – picking up messages that are not conveyed.
(High Context)

USA learning: Say what you mean and mean what you say.

Example: Reaction to a written recap of meeting decisions in Indonesia: Don't you trust us upon our word?

SOLUTION: Explain why you do it and that this is our culture to do it so.

High context

- Iran: extreme politeness: Always say no, if offered something. If person continues to say 'No', when offered 3 times then it is 'No'. It is not polite to accept before offering 3 times.

- Some words have two different meanings:

Egypt: Ma'a lish – I am sorry AND It's okay, it doesn't matter

Hindi: Kal – tomorrow and yesterday

Japanese: Ashi - leg and foot

French: Ennuie – being bored or bothered (annoyed)

France: higher context than English society:

There are 7 times more words in English than in French (500,000 vs 70,000)

Evaluating: Direct neg feedback x Indirect neg feedback

USA – Transparent and direct Culture (Low Context), but Indirect Neg Feedback.

Think about employee reviews

Netherlands: Direct Negative Feedback. (It's a gift to get honest, direct feedback. It's appreciated, although not so nice to hear it).

Disagreeing: Confrontational versus avoiding confrontation

Confrontational can give 'loss of face'.

France: taught in school to disagree openly and lead discussions

Israel	Germany	Denmark	US	Sweden	India	China	Indonesia	
France	Russia	Spain	Italy	UK	Brazil	Mexico	Ghana	Japan
				Singapore Saudi Arabia				

Confrontation

Avoids Confrontation

Up graders and Down graders in Feedback

FIGURE 2.1. ANGLO-DUTCH TRANSLATION GUIDE

What the British say	What the British mean	What the Dutch understand
With all due respect...	I think you are wrong.	He is listening to me.
Perhaps you would think about...I would suggest...	This is an order. Do it or be prepared to justify yourself.	Think about this idea and do it if you like.
Oh, by the way...	The following criticism is the purpose of this discussion.	This is not very important.
I was a bit disappointed that...	I am very upset and angry that...	It doesn't really matter.
Very interesting...	I don't like it.	He is impressed.
Could you consider some other options?	Your idea is not a good one.	He has not yet decided.
Please think about that some more.	It's a bad idea. Don't do it.	It's a good idea. Keep developing it.
I'm sure it's my fault.	It's not my fault.	It's his fault.
That is an original point of view.	Your idea is stupid.	He likes my idea!

Source: Nanette Ripmeester

Persuading: Principles-first x Applications-first

This is important for communication with your client and how you can bring your recommendations.

- Americans more tend to focus on the practical solutions of a problem, moving quickly to the bottom line, they more appreciate to jump into the recommendations and the practical solutions, don't have the patience to understand exactly how you got to this recommendation
- When you talk with German clients (or Dutch), you want to build your argument with the principles first, how you did your calculations, what questions you reviewed and how you got to your recommendations. Then they will understand the recommendations.

The Communication exercise might help you to understand how your clients like to see their recommendations.

Leading and Deciding

- Deciding: Consensual versus Top-Down
- Leading: Egalitarian versus Hierarchical

Interesting is that you can have a culture that is considered egalitarian and has top-down decision making.

The US.

Versus a country that is Hierarchical but very consensual in decision making.

German - Japan

Trusting: Task Based – Relationship based

Two forms of Trust:

- Cognitive Trust: Confidence you feel in skills, accomplishments & reliability (HEAD)
- Affective Trust: emotions of closeness, empathy and friendship. (HEART)

Task-Based:

- Trust is built through business-related activities Work relationships are built and dropped easily, based on the practicality of the situation. You do good work consistently, you are reliable, I enjoy working with you, I trust you.

Relationship-Based:

- Trust is built through sharing meals, evening drinks and visits at the coffee machine. Work relationships are built up slowly over a long term. I've seen you are at a deeper level, I have shared personal time with you, I know others well, who trust you I trust you.

US Northern Europe UK Poland Southern Europe South America Asia
Australia Austria Japan Russia Turkey Middle East

Task-Based

Relation-Based

Scheduling - Linear-time x Flexible time

Linear: 10 minutes is 10 minutes; 12.00pm is.....

Flexible: 10 minutes approximately, but if it goes well, take another 10 minutes;

Around 12.00pm

This will show in more than only time scheduling:

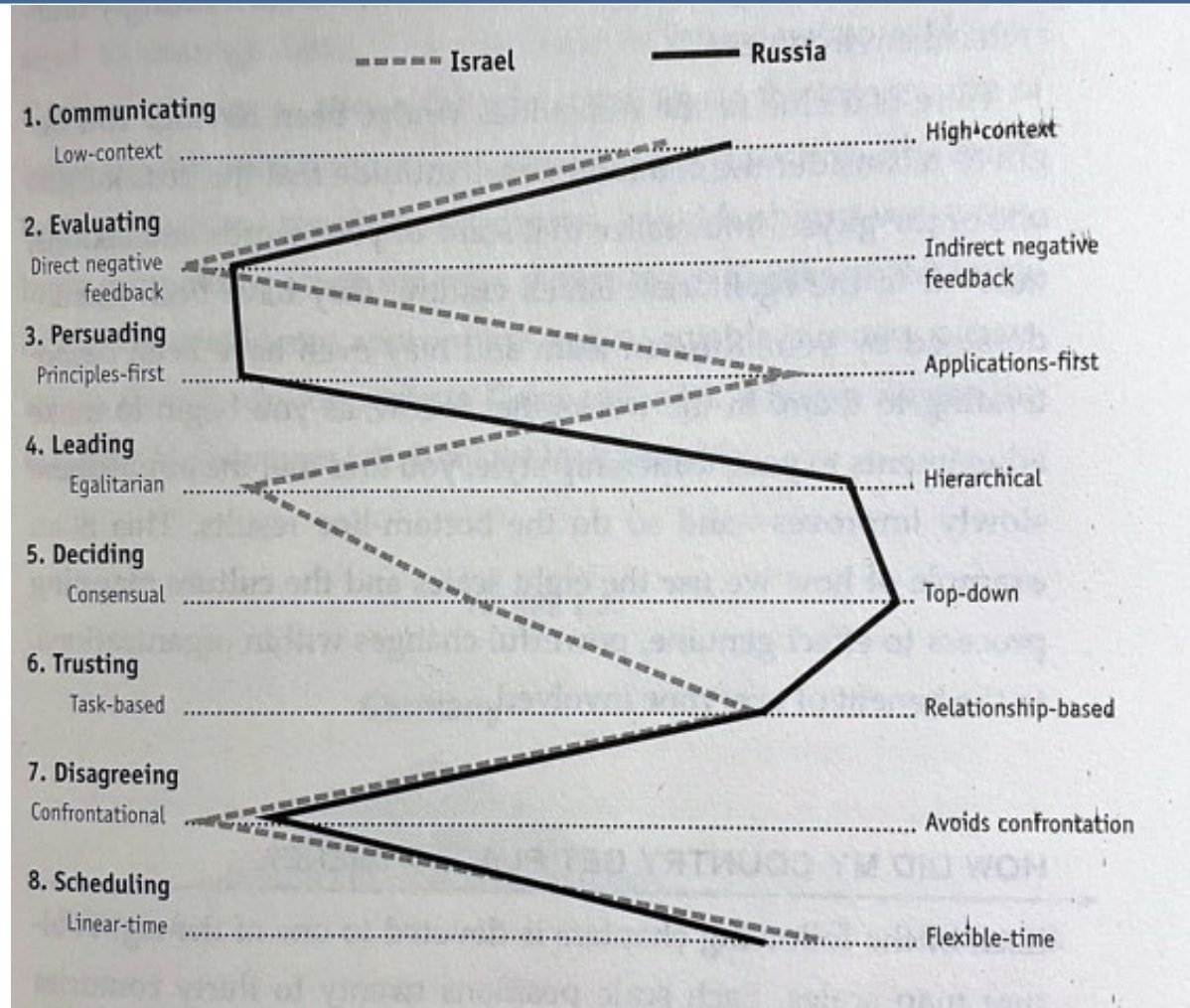
- Agendas– interruptions, topic changes, shifts in direction – flexible or not
- Dealing with one or different customers at the same time
- Waiting in line or in a group
- Advanced Planning – Short-term planning

Germany Japan Netherlands Poland Spain Italy Brazil China Saudi Arabia
Switzerland Sweden US UK Russia Mexico India Kenya
Denmark

Linear-time

Flexible-time

Culture map - Example



Questions?

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