

CROSS-BORDER RELOCATION

A WORKBOOK



What
you need to
know before
you relocate
across the
border.

READ FIRST

BEFORE STARTING

Not many people are aware of the financial implications of a cross-border move. Yet, it can have a long-term impact on their financial well being.

If you are left to navigate the regulations concerning investing and financial planning yourself, this guide offers some helpful tips and advice to make sure you are aware of some very important factors.

However, it is highly recommended that you speak with a cross-border specialist before relocating to avoid getting caught in a sticky situation.

COMMON ISSUES

& THEIR SOLUTIONS

CURRENCY

PROBLEM May take currency hits when moving investment assets cross-border

SOLUTION Find a cross-border specialist offering portfolio services in Canadian and US dollars

SCATTERED ASSETS

PROBLEM Working with different advisors from different jurisdictions leads to a lack of cohesive investment policy and portfolios may not be properly diversified or out of balance

SOLUTION Find a dually-licensed advisor to manage investments on both sides of the Canada / US border to ensure investments are properly diversified and balanced

COMMON ISSUES

& THEIR SOLUTIONS

NO PLANNING

PROBLEM No cohesive planning - clients don't know where they are at with their financial goals

SOLUTION An overarching financial plan taking into account assets on both sides of the border with a focus on retirement income planning strategies

TAX REPORTING

PROBLEM May be holding investments or account types that require additional reporting to the tax authorities

SOLUTION Structure investment accounts and account types in order to minimize reporting requirements to the tax authorities

AMERICANS

RESIDING IN CANADA

RETIREMENT ACCOUNTS

- Once a US citizen establishes residency in Canada they are often "fired" by their US broker and given 60 days to find a new home for their IRA or receive a check for the proceeds (subject to US taxes and potential penalties and fees).
- Cross-border specialists are able to facilitate rollovers to IRA and 401K accounts keeping the funds tax sheltered and avoiding a taxable event. There is no need to roll an IRA into an RRSP.
- Since RRSP contribution room is based on the previous year's earned Canadian income an American relocating to Canada cannot contribute to these programs until their second year of residency.

INVESTMENT ACCOUNTS

- U.S. citizens may set up investment accounts in Canadian or US dollars. It is best to structure investment portfolios with individual securities such as stocks, bonds and US ETFs versus mutual funds to simplify tax reporting.
- Canadian Mutual Funds and ETFs are considered "passive foreign investment corporations" by the IRS. This means there is additional reporting required which means additional costs. Some Canadian mutual fund companies issue QEF reports which help with the required reporting.
- If you are repatriating to the US, you can transfer the individual stock and bond securities "in kind" – no need to sell holdings.

AMERICANS

RESIDING IN CANADA

CHECKLIST

- IRA** may need to engage a specially licensed brokerage firm that can manage cross-border assets
- 401K** consider the pros and cons to roll over a 401K to an IRA
- TFSA** tax sheltered savings accounts – not recognized under Canada/US tax treaty – no tax benefit to hold
- U.S. INVESTMENT ACCOUNTS** non-residents of the US are not allowed to purchase or reinvest in US mutual funds
- CANADIAN INVESTMENT ACCOUNTS** avoid purchase of Canadian mutual funds as this increases tax filing costs and complications
- RRSPS** can begin to contribute after first year income is earned

CANADIANS

RESIDING IN THE U.S.

RETIREMENT ACCOUNTS

- With special exemptions, Canadian advisors can manage RRSP's for Canadian clients residing in the US – tax filings are required by IRS.
- Some US States do not recognize the tax treaty and RRSPs are subject to tax on income earned.

INVESTMENT ACCOUNTS

- Non-registered investment accounts cannot be held in Canada by Canadians residing in the US unless held with a US registered brokerage firm. These accounts must be managed by a US licensed advisor like Raymond James (USA) Ltd.
- Canadian dollar assets when moved to other US brokers will most often result in currency conversion to US dollars.

CHECKLIST

RRSPS check to see if the state you are moving to recognizes the Canada/US retirement account tax treaty, if not, you may need to restructure investments to be more tax efficient

TFSA tax sheltered savings accounts – not recognized under Canada/US tax treaty – no tax benefit to hold

U.S. INVESTMENT ACCOUNTS Canadian investment accounts must be moved to a registered U.S. brokerage firm, U.S. mutual funds could be an issue if you move back to Canada

IRA & 401KS Set up IRA and 401K accounts

PERREIRA HURLY WEALTH ADVISORY

RAYMOND JAMES®

Information in this booklet was provided by cross-border specialists Elizabeth Hurly and Bernardine Perreira from Perreira Hurly Wealth Advisory, a broadly resourced, boutique style service for select clients in Canada and the US.



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