



# FAMILY MATTERS

AN ESTATE TAX GUIDE FOR FOREIGN NATIONALS



TRANSAMERICA®



# Did you know?

If you would like to transfer your hard-earned property to your loved ones and you are not a United States (U.S.) citizen or resident alien, you may be exposed to significant U.S. federal estate and gift taxes that can considerably reduce the value of your estate. Life insurance from Transamerica Life Insurance Company (Transamerica Life) is one effective solution to this issue.<sup>1</sup>

<sup>1</sup> All solicitation and communication (including marketing materials) concerning the sale of the life insurance products, including all telephone, fax, or other electronic or delivered correspondence to a foreign national must take place in the U.S.



# WHAT DOES THIS MEAN FOR YOUR FAMILY?

Foreign nationals who do not permanently reside in the U.S. and who have assets in the U.S. cannot take advantage of certain tax provisions available to U.S. citizens and resident aliens. Therefore, without proper planning, your estate may owe a large U.S. estate tax bill, which may shrink

your estate and reduce the legacy that you're able to leave to your family.

In order to illustrate the impact that U.S. estate taxes can have on your family, consider the case of Miguel. He is a Costa Rican national and resident with \$5 million in real estate in the United States. If Miguel does no planning, his family stands to lose over one-third of the value of his **U.S.-held** estate to estate taxes.

For example, if he dies this year, the estate tax law provides for a 40% top tax rate. The net estate tax due on his \$5 million U.S. estate is \$1,932,800. This means that instead of leaving the entire \$5 million estate to his family, they would only inherit \$3,067,200. U.S. estate taxes will decrease Miguel's U.S. estate by almost 40%.

## EFFECT OF FEDERAL ESTATE TAX ON MIGUEL'S \$5 MILLION ESTATE

Tentative Federal Estate Tax	(\$1,945,800)
Less: Credit	\$13,000
Net Estate Taxes	(\$1,932,800)
Net U.S. Assets	\$3,067,200

**Miguel's estate will shrink by almost 40%.**



# HOW WILL YOUR FAMILY AND ESTATE BE IMPACTED?

In order to help you determine how your family will be impacted by U.S. federal estate and gift taxes, answer the following questions by checking the boxes below:

	U.S.	OTHER COUNTRY
Where do you own homes?		
In which country do you spend the most time?		
Where do you work?		
Where does the majority of your family reside?		
Where do the majority of your friends reside?		
In which country do you have permanent residency immigration status (i.e., in U.S., a green card)?		
In which country do you currently reside?		



## MOSTLY “OTHER COUNTRY” ANSWERS

If you answered “Other Country” to most of the questions on the previous page, then you may be a nonresident alien. Nonresident aliens generally are foreign nationals who live permanently in another country; generally, they will only be subject to U.S. transfer tax to the extent that they own assets considered located in the U.S.<sup>1</sup>

Nonresident aliens are only allowed to shelter \$60,000 in U.S. assets from U.S. federal estate tax. If your U.S. assets are worth more than this amount and your family does not have cash to pay these taxes within nine months of your death, your family may be forced to sell your assets in order to generate the cash necessary to pay the tax.

For example, if you are a nonresident alien and you own a home in Miami, Florida, worth \$700,000, \$640,000 will be subject to estate tax upon your death. This would result in a federal estate tax of approximately \$216,800. If your loved ones do not have the cash necessary to pay this bill within nine months of your death, they may be forced to sell the home in order to pay the tax.

In addition, your estate cannot defer payment of estate taxes by transferring the home to your surviving spouse if your surviving spouse is not a U.S. citizen. In such case, any estate taxes due upon your death must be paid in cash within nine months of death.

## MOSTLY “U.S.” ANSWERS

If your answers primarily fell in the U.S. column, then you may be categorized as a resident alien. Resident aliens generally are foreign nationals who live in the U.S. permanently with no present intention of leaving. A resident alien is subject to U.S. estate tax on all his/her property whether it is located in the U.S. or another country.

**A married couple consisting of resident aliens is not entitled to the estate tax**

**marital deduction for property passing to the surviving spouse, although there may be alternative strategies available, such as a qualified domestic trust (QDOT). Any estate taxes due upon the death of the first spouse are due within nine months of death. If the surviving spouse does not have the money to pay this bill, he or she may be forced to sell assets in order to generate the cash necessary to pay the tax.**

<sup>1</sup> Generally, only a nonresident alien's assets that are considered located in the U.S. will be subject to federal estate tax, including most intangible property, such as stock in a U.S. corporation and interest in a U.S. partnership. However, only a nonresident alien's real or tangible property which is deemed located in the U.S. will be subject to U.S. gift tax. Gifts of intangible property — even if located in the U.S. — will not be subject to gift tax.



# HOW CAN YOU BEST PROVIDE FOR YOUR LOVED ONES?

Life insurance from Transamerica Life is an effective way to address the concerns created by U.S. estate and gift taxes. With life insurance, you can:

- Provide your loved ones the immediate cash necessary to pay these taxes, allowing them to keep your hard-earned property in the family
- Ensure that your family does not need to sell assets in order to pay taxes
- Help your family continue to live a comfortable lifestyle by providing funds when they need it the most
- Enjoy U.S. income tax-deferred growth with permanent life insurance products that build cash value



# ABOUT TRANSAMERICA LIFE INSURANCE COMPANY

**For over 100 years, Transamerica Life, an A-rated company, has been providing insurance products designed to help families just like yours.<sup>1</sup>**

While the world has certainly changed, our objective to help families enjoy a more secure financial future has always remained the same.

For more information on how Transamerica Life, legacy planning, and life insurance may be able to help you secure your family's future, please contact your financial or insurance professional.

<sup>1</sup> Transamerica Life Insurance Company continues the tradition of service established in 1906, when the original Transamerica Life Insurance Company was founded.



TRANSAMERICA®

**The road to protection begins here.**

Not all products are available in all distribution channels.

Transamerica Life Insurance Company (Transamerica) and its representatives do not give tax or legal advice. This material is provided for informational purposes only and should not be construed as tax or legal advice. Clients and other interested parties must be urged to consult with and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here.

Discussions of the various planning strategies and issues are based on our understanding of the applicable federal tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, this material does not consider the impact of applicable state or foreign laws and regulations upon clients and prospects. Clients should consult with and rely on their own legal and/or tax advisor to determine the consequences, if any, of owning or receiving proceeds from a Transamerica policy.

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Life insurance policies are issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499.

Not available in New York.

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