



Expatriate Financial Planning Guide

Access award winning
advice & information



Introduction

During your working career you may end up with the opportunity of working overseas where you get to experience new people, different cultures, maybe a new language and it might impact you in such a positive way that you decide to spend the rest of your life there.

SJB Global/BFMI is a privately owned financial planning company who help expats worldwide. With our office based in Marbella, Spain, we offer a unique telephone based consultation to initially understand the needs of each client and guide them in the right direction. As we are independent, our job is to find the perfect fit for each individual, and we have built up relationships worldwide with the largest financial institutions around the globe.

Content - Areas of Expat Financial Planning

1. International Pension Planning
2. Investing Offshore
3. International Education Planning
4. Long Term Savings
5. Expat Property
6. Managing Currency Risk
7. Expat Insurances
8. International Estate Planning
9. International Tax Planning
10. Choosing a Financial Adviser

1. International Pension Planning

If like many expatriates you have previously worked in the UK and now live overseas, it's likely that you have built up a pension pot for your retirement. Whether you plan to remain overseas or head back home, it's important to make sure any pensions you have meets your objectives and the lifestyle you envision. This can include areas such as:

- Retirement Options
- Investment Selection available
- Currency of pension
- Death benefit options
- International Exposure
- Ongoing financial advice
- Legislation Changes
- Income vs wealth

There are many areas to consider when thinking about transferring your pension, and it often can be subjective based on the individual's needs and objectives. We help identify whether or not it is in your best interest to transfer or not.

Defined Benefit Pensions

When it comes to safeguarded benefits, there is a requirement to receive advice from an FCA regulated adviser based in the UK if the pension is above £30,000. Due to the complexity of the report, our minimum is

£100,000 which we outsource to an independent UK IFA firm who give their unbiased opinion of whether it's in your interest to transfer or not. Under legislation, we cannot recommend you to transfer your pension to an alternative arrangement unless it is in your interest.

2. Investing Offshore

There are many advantages available once you are an expat and you should understand how it works in regard to the different financial vehicles which may suit you better. These include areas such as:

- Avoiding Capital Gains tax
- Minimising Withholding taxes
- Mitigating Inheritance tax
- Income tax deferral
- Tax gifting

There is not a "one size fits all" model when it comes to investing offshore and this can differ based on age, wealth, nationality, residency and retirement income requirements. What we first need to do is understand your personal circumstances to then build the perfect offshore investment plan for you.

As an expat, offshore investments are easy to access and suitable because they are internationally mobile. No matter where you move yourself, your offshore investment is independent of your location. There may even be certain tax benefits if you move somewhere else in the future.

3. International Education Planning

For most families, the priority is their children which is why providing them a good education is such an important gift they can pass on. One thing that is for certain though, prices for education is rising significantly year on year with inflation for education running at an estimated 7%.

The average cost for a full University course in the United States was US\$99,417, which doesn't include cost of living, so as many of us know, planning for these costs well in advance is very important especially considering that these costs are expected to continue to rise in the future.

It's not only University costs that parents have to think about though, it's also schooling expenses. Depending on where you live will depend on the cost. For example, somewhere like Dubai in the UAE will set you back \$17,500 per annum. There are many fortunate expats who move abroad on a package which could include this.

4. Long Term Savings

It's no surprise that many offshore workers get paid significantly more than in their home countries, which is part of the attraction when moving overseas in the first place. This means they also have a much larger disposable income to increase their wealth a lot faster.

Unfortunately, though there are a lot of poor and expensive products out there which have left people not saving as much as they should have. Furthermore, the fact that most offshore companies don't provide people with pension plans, you may end up worse off than if you stayed in your home country. This makes it imperative to make sure you are saving in the right products and receiving the best advice.

A significant number of expats also have a pension shortfall, often due to them moving to a new country every few years. It is imperative to quantify and reduce this gap and get the most out of your savings, but also have the flexibility to withdraw this money if need be. The plan should be built on the following criteria:

Target Amount – What will this money be used for? Retirement, Childrens Education, a holiday home? How much will you need?

Term – How many years will you need to save to get to your target?

Attitude to Risk – This will play a big role in you reaching your target quicker or longer. It needs to be realistic based on market averages. The correct asset classes must also be chosen.

Cost/Transparency – What are the ongoing costs of the platform and is it a transparent platform? Our savings platforms are 100% transparent with no surrender penalties for withdrawing money early.

Cost Averaging – This will enable you to profit from stock market volatility as you will be buying units at different prices.

5. Expat Property

As an expat you will be paying rent, so there may come a time when you want to buy or even sell a property overseas. The requirements vary tremendously from country to country and its important to understand what the rules and regulations are in your country of residence. This can include issues in the following areas:

Foreign Currency Mortgages – Financing a property in a foreign currency is a common thing, but this can work both ways and can end in disaster. Although right now it might be attractive to have a mortgage in Swiss Francs due to low interest rates, things can very quickly change. Working out your budget based on a foreign budget can mean that if interest rates flip between the country where you are borrowing and the country where you have your property, you could be out of pocket in a big way.

Leveraging – All investments have risk attached to them and the same goes for properties. Often you are buying properties with leverage, whereas in the stock market its left to professionals. You need to be aware of the risks you are taking and look at what scenarios can occur.

Local laws – Do you really own the property? What are your rights? Can foreigners own property?

Estate Planning – You must make plans to ensure that your fixed assets can be passed to your loved ones.

6. Managing Currency Risk

As an expat, currency risk is always going to play an important role between where you live and where you are from. Currency risk is essentially the risk in the fluctuations between 2 different currencies, such as between the EUR and GBP or even the JPY against the USD.

You could be effected by currency risk in a number of different ways. Firstly, it could be something small such as a holiday or buying things in a foreign currency, or something big such as a property purchase or education costs overseas. A 10% fluctuation on \$100,000 will cost you an extra \$10,000, so make sure you take this into account.

You should also think carefully about currency choice when making any investment decisions going forward.

7. Expat Insurances

One of the first things you should do when you move abroad is make sure if you have insurance through your company or through your country of origin. Here are some things you should be aware of:

How much insurance do I need? – When you are getting older, have no mortgage and your kids have left home, do you really need the same amount of life cover? Make sure your life cover changes as your life changes.

Death – Do your loved ones want to be buried in their home country and if so, are you insured to repatriate?

Health insurance – Whilst places like the UK offer free healthcare through the NHS, most other countries do not, and it may even be illegal to not have sufficient cover. Make sure you are fully covered not just for your own sake, but also to make sure you're not breaking the law.

Costs – These can vary significantly as each country will have its own risks. Developed countries for example may offer cheaper insurance than developing countries. Disease risks is also a factor amongst many other. Some countries may have extremely high costs for insurance which is when offshore coverage should be considered.

Health Insurance, Life Insurance, Home and Contents Insurance & Personal Accident Cover are four examples of potential requirement that you could have.

8. International Estate Planning

Passing on your legacy in the most tax efficient way is one of the most complex yet important parts of financial planning, and inheritance tax laws vary from country to country. Dealing with bereavement is a sad and stressful time, and probate can make that bereavement even harder. Creating a plan to minimise this burden becomes very important.

Inheritance tax laws are often misunderstood, especially for UK domiciles who take their fathers domicile which can make it very difficult to avoid things such as inheritance tax, no matter where you are tax residence.

In France and other countries based on Napoleonic Law, significant amounts of your partner's wealth may pass directly to children some of whom may not be yours.

However, in Switzerland as an expat you can opt to have the inheritance laws of your home country.

Losing a loved one and discovering their affairs are not in order can lead to significant stress and financial hardship as probate can take years to resolve especially when many different jurisdictions are involved.

9. International Tax Planning

Understanding and minimising your tax liabilities is vital to maintaining and increasing your wealth.

Not fully understanding the tax position on your income and assets in another country often leads to the payment of unnecessary taxes and in some cases, you may be taxed twice. With the right tax advice, you can make sure that you understand the local tax implications and are able to minimise your tax liabilities both in your home country and overseas.

The SJB Global are not tax advisers and we do recommend you seek specialist tax advice should you require this, however, we do provide advice on the following:

Residence planning - The optimum time to leave or return to the UK, application of the UK's Statutory Residence Test, overseas residence rules.

Income tax planning - Tax treatment of UK sourced income when living overseas, including tax efficient remuneration, the tax treatment of share options, and tax efficient extraction of profits.

Taxation of rental income - The UK's Non-Resident Landlord Scheme, taxation of overseas rental income, allowable expenses, and the different overseas regimes where applicable.

Capital gains tax planning - The optimum time to sell UK and overseas assets to mitigate UK tax liabilities, including advice on the reliefs and deductions available. This includes the tax efficient sale of property investments, businesses and business assets, the main home and second homes. Both UK and overseas tax mitigation is considered where relevant.

Property taxation - All aspects of taxation in relation to the main home, second homes and/or investment properties.

Tax efficient investments - The options available and how restructuring may help to reduce both UK and overseas taxes.

Inheritance tax planning - Advice covers both the UK and overseas positions, where liabilities will arise, ways to legitimately reduce liabilities, including optimum timing of gifts.

Domicile planning - The tax impact of your domicile status, and steps to take to acquire an overseas domicile.

10. Choosing a Financial Adviser

With so many areas of financial planning, one may wonder where to look for when it comes to choosing a financial planner. When you are seeking advice, you want to make sure that the financial adviser has experience with expats in your country of residence, understands the types of areas you want to cover but most importantly have a good reputation. Depending on your location, there may be a large number of companies available to you.

Make sure that when you do your due diligence on the company, you check the history of the company, the employees they hire, and what their clients have to say about them. All it takes these days as a quick search on google to see if a company is looking after their clients properly. Do not be afraid to ask for proof that the company, and the individual adviser that you are dealing with, are licensed and regulated.

Things to consider when choosing a financial adviser:

Qualifications – How long have they been qualified? Who is the regulatory body? Are the exams relevant to where they are advising?

Experience – What is their track record? How long have they been advising for? What is their financial knowledge? Are they members of any specialist bodies?

Reviews – Do they have any reviews from their clients? How satisfied are they? Is there a general trend to sound advice? Are there any red flags?

Deciding which adviser to choose is probably the most important decision you will make, so make sure you choose them wisely as this will make a significant difference to your financial wellbeing for you and your family. Make sure you ask them all the right questions and go the extra mile in cross referencing everything you are told. Any reputable adviser will be happy to answer your questions.

About SJB Global

Being expatriates ourselves, we understand your requirements better than anyone. All of our advisers are UK qualified and we are dedicated to providing you with the best advice possible. Our aim is to become the leading name in the offshore advisory industry by putting our clients interests first.

We have outstanding reviews on trust pilot which can be found here:

<https://uk.trustpilot.com/review/www.sjb-global.com>

If you would like further information on the company and the areas with which we can assist, please visit our website www.sjb-global.com