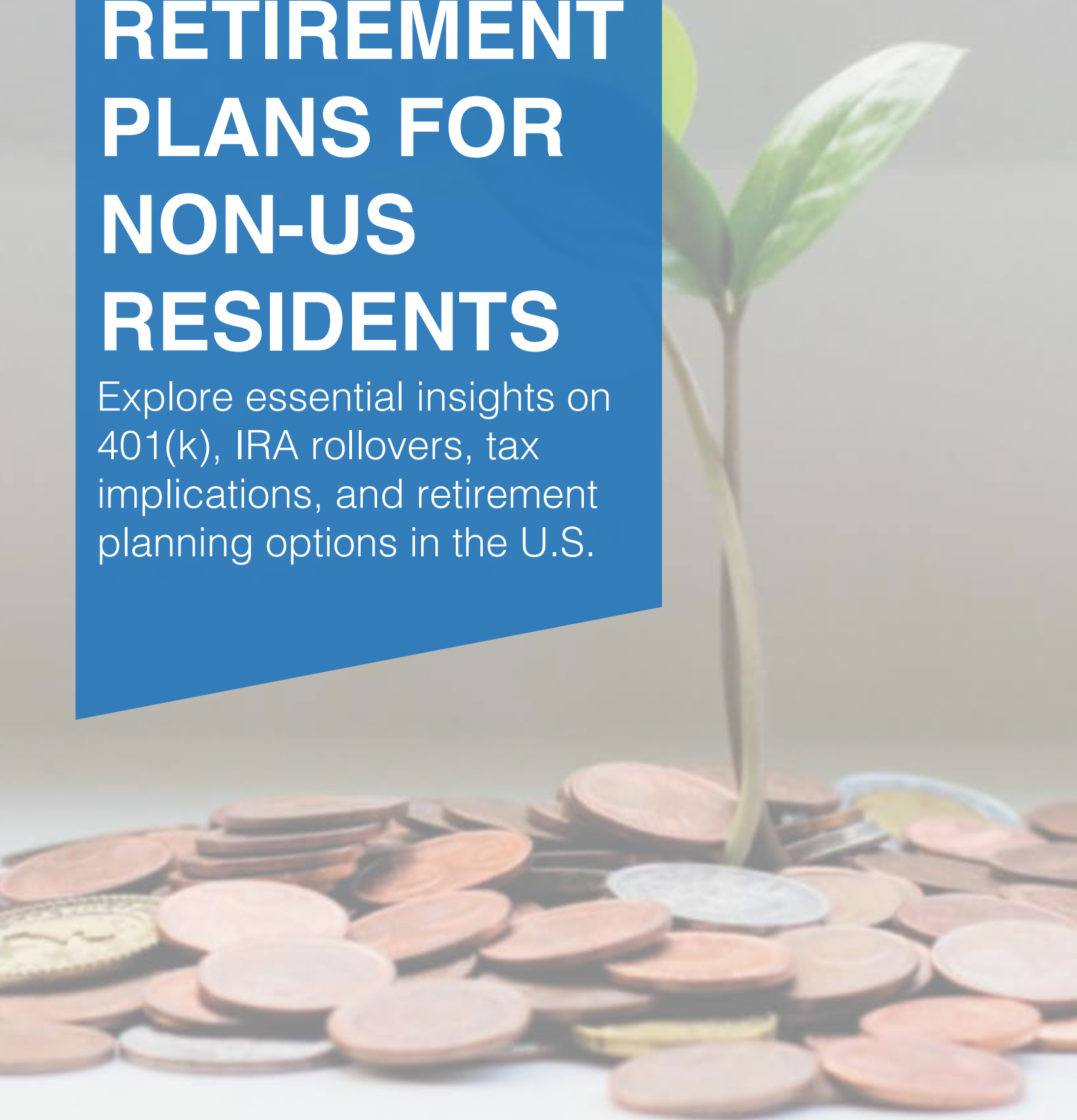


US RETIREMENT PLANS FOR NON-US RESIDENTS

Explore essential insights on 401(k), IRA rollovers, tax implications, and retirement planning options in the U.S.



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CHALLENGES & SOLUTIONS FOR MANAGING YOUR U.S. RETIREMENT ACCOUNT(S) WHILE LIVING ABROAD

Managing a U.S.-based retirement plan from abroad can be a complex endeavor. Here are some common challenges and potential solutions:

1

Access to Qualified Advice

Limited Expertise: Many financial advisors, both domestically and internationally, lack the specialised knowledge to navigate the intricacies of managing U.S. retirement accounts from abroad.

Solution: Seek out advisors with expertise in both U.S. retirement planning and international tax laws. These advisors can provide tailored guidance based on your specific circumstances.

2

Beneficiary Access Issues

Social Security Number Requirement: Many providers require beneficiaries to have a U.S. Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN) to access funds.

Solution: If your beneficiaries do not have a U.S. SSN or ITIN, explore alternative options or consulting with a tax advisor to determine the most appropriate approach.

3

Potential for High Estate Taxes

U.S. citizens and residents may be subject to U.S. estate tax on their worldwide assets, including those held in retirement accounts.

Solution: Estate Planning Strategies: Consider strategies like gifting assets during your lifetime, using trusts, or selecting retirement accounts with favorable estate tax rules.

Professional Advice: Consult with a tax advisor to understand your specific estate tax implications and explore potential mitigation strategies.

KEY POINTS TO REMEMBER:

- Estate tax rates can be substantial ▪
- Exemptions may be limited ▪
- Proper planning is essential to minimise estate tax liabilities ▪
- Failure to comply with estate tax laws ▪
can result in penalties and interest

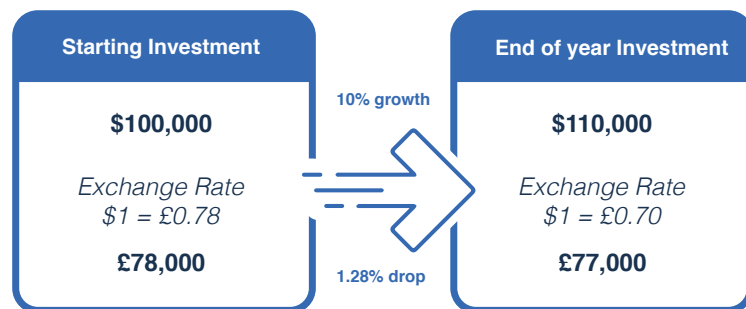
RECEIVING PAYMENTS TO A NON-U.S. ACCOUNT

Transferring funds from a U.S. retirement account to a non-U.S. account in your country of residence can be quite complex. If you've closed your U.S. bank account, accessing these funds becomes problematic and you will have to deal with both currency risk and FX fees with banks.

Currency Exchange Risks

If your U.S. Retirement account is a significant financial asset, holding it in U.S. dollars while living abroad exposes you to currency risks. Currency fluctuations can have a major impact on the value of your investments. For example, if you're planning to retire outside the U.S., changes in exchange rates could cost you thousands.

Imagine you invested in a U.S. dollar-denominated ETF while residing in the UK. At the start of the year, your investment is worth \$100,000, which converts to £78,000 (using an exchange rate of \$1 = £0.78). By year's end, your investment grows to \$110,000, but if the British pound strengthens and the exchange rate shifts to \$1 = £0.70, your investment's value in pounds drops to £77,000, despite its growth in U.S. dollars.



Investment Restrictions and Compliance

Many U.S.-based retirement platforms restrict investment activity for individuals living outside the U.S. This is because certain U.S. investment products may not meet regulatory requirements in foreign jurisdictions. In these cases, investing through a U.S. platform may result in regulatory conflicts and the loss of local protections. Each country has different rules and if certain restrictions apply, dividends are often not allowed to be reinvested and no new funds or ETFs can be purchased, leading to massively restricted investment options.

30% Withholding Tax

When receiving distributions from a US retirement account as a foreign resident, a 30% federal income tax withholding (IRC Section 1441(a)) typically applies, unless you qualify for specific exemptions based on the tax treaty between the US and the country where you reside. On top of that, your local tax authorities may also impose taxes on these distributions, creating additional tax burdens.

YOUR RETIREMENT ACCOUNT OPTIONS AFTER LEAVING THE U.S.

When you move abroad, you have several choices regarding your U.S. retirement funds. Generally, you can:

1

Keep It in Your Existing 401(k) Plan

You can leave your 401(k) with your former employer, allowing your investments to continue growing until you're ready to access them. However, it's important to regularly monitor performance and fees to ensure they align with your long-term goals. Some plans may limit new investments or offer fewer options, and as time passes, this option could present challenges for some individuals.

2

Withdraw Your Funds

Cashing out your qualified retirement plan allows you to access all your funds immediately, but this option is generally discouraged due to significant tax penalties and the forfeiture of future investment growth. There are other drawdown methods, discussed later, that may offer more favorable outcomes. If you are a US connected individual, you will also be restricted with how you can invest your funds outside of the US.

3

Roll It Over into an IRA

Transferring your Employer-Sponsored Retirement Plan into an IRA offers more investment choices and often lower fees. IRAs provide flexibility, enabling you to invest in a wide range of assets such as stocks, bonds, mutual funds, and ETFs. They may also offer better estate planning options. This route gives you more control over your investments and could better align with your overall retirement strategy. Even if you decide that this is the best route, each IRA provider will have different restrictions which is country dependent. You may also have an existing IRA plan which is no longer available in the country where you plan to go to, meaning you would need to roll this over into a different provider that doesn't have these restrictions.

YOUR OPTIONS FOR DRAWING DOWN RETIREMENT SAVINGS

When it's time to start tapping into your retirement funds, you have several options to consider. The best approach depends on your individual circumstances, including your financial goals, risk tolerance, and desired income level.

Flexible Distributions

Periodic Installments: This option allows you to withdraw funds from your retirement account in regular intervals, such as monthly, quarterly, or annually. This can provide flexibility to adjust your withdrawals based on your changing needs.

Lump Sum: For smaller accounts or specific needs, a lump sum withdrawal may be suitable. However, be mindful of potential tax implications.

Annuities

Guaranteed Income: Annuities offer a fixed income stream for life or a specified period, providing a sense of security. They can be particularly attractive for those seeking a stable income and protection against market fluctuations.

Required Minimum Distributions (RMDs)

Certain retirement accounts require you to begin taking mandatory withdrawals, called RMDs, at a specified age.

Starting Age: RMDs generally begin at age 73. For those born in 1960 or later, the starting age is extended to 75.

Calculation: Your RMD is calculated each year by dividing your retirement account balance as of December 31 of the previous year by your life expectancy factor provided in IRS tables.

Penalties for Non-Compliance: If you do not take your RMD, the IRS imposes a penalty equal to 25% of the amount that should have been withdrawn. This penalty can be reduced to 10% if the missed RMD is corrected in a timely manner.

Note: While IRAs offer many advantages, it's important to consult with a financial advisor to determine if a rollover is right for your specific situation. Factors such as your age, income, and investment goals should be considered.

WHAT IS AN IRA ROLLOVER?

An IRA rollover involves transferring funds from a retirement account, such as a 401(k), into an Individual Retirement Account (IRA). The primary goal is to preserve the tax-deferred status of your retirement savings, allowing you to continue growing your assets without immediate tax consequences.

Why Consider an IRA Rollover?

Broader Investment Options: IRAs offer a wider range of investment choices compared to many 401(k) plans. This includes mutual funds, individual stocks, bonds, ETFs, and even real estate investment trusts (REITs). This flexibility can help you tailor your portfolio to your specific financial goals and risk tolerance.

Lower Fees: IRA providers often offer lower fees than 401(k) plans. These reduced costs can significantly impact your long-term returns.

Greater Control: With an IRA, you have more control over your investment decisions. You can choose your own investments, adjust your asset allocation as needed, and make changes to your beneficiary designations.

Inherited IRA Benefits:

Spousal Beneficiaries: Spouses have the most flexibility and can treat the inherited IRA as their own, roll it into their own IRA, or take distributions over their lifetime.

Non-Spousal Beneficiaries: Most non-spouse beneficiaries are now required to fully withdraw the IRA within 10 years of the original owner's death (under the SECURE Act rules). In some cases, annual RMDs are required during this 10-year period.

Eligible Designated Beneficiaries (EDBs): Certain beneficiaries (e.g., minor children, disabled or chronically ill individuals) may still take distributions over their life expectancy, allowing for tax deferral and potentially reducing the tax burden.

Roth IRA Conversion: If you have a traditional IRA or 401(k), you may be able to convert it to a Roth IRA. This can provide tax-free withdrawals in retirement. If you reside overseas, you would need to receive tax advice to see if this is beneficial or not as lots of countries don't recognise Roth's and treat them as brokerage accounts, taxing all gains.

Simplified Estate Planning: IRAs offer more flexibility for estate planning than employer plans. You can name multiple beneficiaries, establish trusts, they are easier to transfer to inherited IRAs and even use stretch provisions to delay required minimum distributions.

Currency Flexibility: For those living outside the U.S, some IRAs allow for investments in multiple currencies by buying direct stocks and bonds in foreign markets, providing protection against currency fluctuations.

HOW TO COMPLETE A ROLLOVER

A rollover involves transferring funds from a former employer's plan to a new retirement account, such as an Individual Retirement Account (IRA). This process helps maintain the tax-deferred status of your retirement savings.

Steps to Complete a Rollover



IRA:

This gives you more investment options and flexibility. However, consider the fees and features of your current employer plan before deciding.

Direct Rollover:

If possible, request a direct transfer from your former employer to the new account to avoid potential tax implications. This is very important if living overseas.

Contact Your Former Employer:

Request the necessary paperwork to initiate the rollover.

Open a New Account:

If you're rolling over to an IRA, open an account with a financial institution.

Follow the Instructions:

Complete the required forms and submit them to your former employer.

Consolidation: Combine multiple accounts into a single account.

Investment Options: Access a wider range of investment choices available in IRAs.

Flexibility: Easily move your retirement savings to different financial institutions.

PROS:

CONS:

Fees: Be aware of potential fees associated with IRAs if using a financial advisor, which may be higher than those in some employer plans.

Employer Benefits: Some employer plans offer unique features, such as employer matching contributions or loan options, that may not be available in IRAs.

ADDITIONAL THOUGHTS:

Tax Implications: Direct rollovers (trustee-to-trustee transfers) are generally tax-free and avoid withholding. However, if you take a distribution paid to you personally (indirect rollover) and do not reinvest the full amount into another qualified account within 60 days, the distribution will be taxable and may be subject to a 10% early withdrawal penalty if you are under 59½.

Consult with a Financial Advisor: For personalised advice and to ensure you make the best decision for your retirement goals, consider consulting with a financial advisor.

TAX IMPLICATIONS OF RETIREMENT ASSET ROLLOVERS

When rolling over retirement assets, understanding the tax implications is crucial to avoid unnecessary penalties and optimise your retirement savings. Here's a breakdown of the three primary rollover options:

1

Direct Rollover (Trustee-to-Trustee Transfer)

Process: Funds are transferred directly from your existing plan to an IRA without passing through your hands.

Tax Implications: No immediate taxes or penalties. Taxes will only apply when you withdraw funds from the IRA.

2

Indirect Rollover (60-Day Rollover)

Process: Your plan administrator sends the funds directly to you. You then have 60 days to deposit the funds into an IRA or another eligible retirement account to avoid taxes and penalties.

Tax Implications: The plan is required to withhold 20% for federal taxes at the time of distribution. To avoid taxes and penalties, you must deposit the full amount of the distribution, including the 20% withheld, into the new account within 60 days. If you complete the rollover correctly, the 20% withheld will be refunded when you file your taxes. If you do not complete the rollover within 60 days, the distribution will be taxable income and may also be subject to a 10% early withdrawal penalty if you are under age 59½.

3

Potential for High Estate Taxes

Process: Converting pre-tax funds from a traditional 401(k) into a Roth IRA, which allows for tax-free withdrawals in the future.

Tax Implications: The amount converted is taxed as income in the year of the rollover. However, future withdrawals from the Roth IRA (if you meet the qualifying conditions) are tax-free, and there's no early withdrawal penalty. This may not be the case if you reside overseas meaning its imperative to speak to a financial advisor before making the move.

DEPARTMENT OF LABOR (DOL) PROCESS

On December 15, 2020, the Department of Labor (DOL) released its final interpretation of fiduciary duties under ERISA and the Internal Revenue Code, along with Prohibited Transaction Exemption (PTE) 2020-02.



Under PTE 2020-02

Under PTE 2020-02, fiduciaries who wish to receive compensation that might otherwise be considered a prohibited transaction must adhere to impartial conduct standards to qualify for the exemption:

1

The fiduciary must provide advice that is in the “best interest” of the retirement investor.

2

The fiduciary must charge “reasonable” compensation for their services.

3

The fiduciary must ensure that all statements regarding investment transactions, compensation, and conflicts of interest are not misleading.

FEIE: WHAT YOU NEED TO KNOW

The Foreign Earned Income Exclusion (FEIE) allows U.S. citizens working abroad to exclude a portion of their foreign income from U.S. federal income taxes. This can significantly reduce taxable income for American expats.

Current FEIE Amounts



Navigating expat tax regulations can be complex. At SJB US, we recommend working with a U.S. registered financial adviser to ensure you're maximising benefits like the FEIE while considering pension plans and other financial matters.

401(K) PLAN

A 401(k) is an employer-sponsored retirement savings plan that allows employees to contribute a portion of their wages into an investment account, subject to annual limits. Contributions can be made on a pre-tax or Roth (after-tax) basis, depending on the plan's options. Employers often match a percentage of employee contributions, which enhances the plan's growth potential.

Contribution Limits:

- Up to \$23,500 per year in 2025 (regular employee elective deferrals).
- Additional \$7,500 catch-up contribution for those aged 50 and older.
- Employer and employee combined contribution limit of \$68,000 (or \$75,500 with catch-up contributions).
- The IRS adjusts contribution limits annually for inflation.

Withdrawals:

- Penalty-free withdrawals can be made starting at age 59½.
- Required Minimum Distributions (RMDs) must begin at age 73 (under SECURE Act 2.0; increases to age 75 for those born in 1960 or later).
- Early withdrawals before age 59½ typically incur a 10% IRS penalty.
- If you leave your job in or after the year you turn 55 (or 50 for public safety employees), you may withdraw from your most recent employer's 401(k) without the 10% penalty.
- Withdrawals are taxed at your ordinary income tax rate.

Protected under the Employee Retirement Income Security Act (ERISA) of 1974, ensuring fiduciary protections.

Employer matching contributions (up to a certain percentage).

Higher annual contribution limits compared to IRAs and other plans.

Tax-deferred growth or tax-free withdrawals with Roth 401(k).

Free or low-cost investment advice from plan administrators.

PROS:

CONS:

Limited investment options, typically a selection of mutual funds.

Potentially high account fees depending on the plan provider.

Early withdrawal penalties if funds are accessed before age 59½ (10% penalty from the IRS).

Contribution limits may be insufficient for high-net-worth individuals seeking larger tax shelters.

403(B) PLAN

A 403(b) plan is a retirement savings plan designed for employees of public schools, tax-exempt organizations, and certain ministers. It operates similarly to a 401(k) but is available to a more specific group, including teachers, government employees, healthcare workers, and nonprofit staff.

Contribution Limits (2025):

- \$23,500 per year (standard employee contributions).
- \$7,500 catch-up contribution for employees aged 50 or older.
- Total employee and employer combined contribution limit: \$68,000 (or \$75,500 with catch-up contributions).
- Employees with 15 or more years of service may qualify for an additional catch-up contribution of \$3,000 per year, up to a \$15,000 lifetime maximum, if eligible.

Withdrawals:

- Penalty-free withdrawals allowed after age 59½.
- Required Minimum Distributions (RMDs) begin at age 73 (under SECURE Act 2.0; increases to 75 for those born in 1960 or later).
- Early withdrawals before age 59½ may incur a 10% penalty, unless an exception applies.
- Withdrawals are taxed as ordinary income.
- Some plans allow penalty-free withdrawals if you leave your employer in or after the year you turn 55 (or 50 for public safety employees).

May include employer contributions in some plans.

Tax-deferred growth or Roth 403(b) option for tax-free qualified withdrawals.

Employees with 15+ years of service may qualify for special catch-up contributions.

Potentially lower administrative costs compared to some 401(k) plans.

Some 403(b) plans are ERISA-protected, offering fiduciary oversight and participant protections.

PROS:

CONS:

Limited to certain employee groups, making the plan less widely available.

Not all 403(b) plans are ERISA-covered, leading to fewer protections in some cases.

Limited investment choices compared to IRAs and some 401(k) plans.

10% early withdrawal penalties generally apply before age 59½ (unless exceptions apply).

457(B) PLAN

A 457(b) plan is a tax-advantaged retirement plan for state and local government employees, as well as certain non-profit workers. It's similar to a 403(b) or 401(k), but with distinct withdrawal rules.

Contribution Limits:

- \$23,500 per year in 2025, with an additional \$7,500 catch-up contribution for those aged 50+.
- The special 457(b) "double limit" allows up to \$47,000 in contributions in the three years prior to retirement, if eligible.

Withdrawals:

- No 10% penalty for early withdrawals, making it more flexible than 401(k) or 403(b) plans.
- Withdrawals are taxed as ordinary income.
- Required Minimum Distributions (RMDs) begin at age 73 (under SECURE Act 2.0; increases to 75 for those born in 1960 or later).

No 10% IRS penalty for early withdrawals, even before age 59½.

Special "double limit" catch-up provision allows participants to contribute twice the regular limit in the three years leading up to retirement, if eligible.

Employees with 15+ years of service may qualify for special catch-up contributions.

PROS:

CONS:

Limited to certain eligible employees (government or non-profit sectors)

Not subject to ERISA protections, leaving some plan aspects unregulated



THRIFT SAVINGS PLAN (TSP)

The Thrift Savings Plan (TSP) is a defined contribution retirement savings plan specifically for federal employees and uniformed service members, similar to a 401(k). It offers a range of investment funds with very low expense ratios, helping to keep costs down for participants.

Contribution Limits:

- \$23,500 annual contribution limit for 2025.
- Catch-up contributions of \$7,500 for those aged 50 and older.
- Total contribution limit (including employer match) up to \$68,000.

Withdrawals:

- Penalty-free withdrawals allowed after age 59½.
- Required Minimum Distributions (RMDs) begin at age 73 (under SECURE Act 2.0; increases to 75 for those born in 1960 or later).
- Withdrawals are taxed as ordinary income (for traditional TSP).

Tax-deferred growth or tax-free withdrawals with Roth TSP.

Federal employer matching contributions, up to 5%.

Extremely low administrative and investment fees.

Catch-up contributions available for employees aged 50 or older.

Offers lifecycle funds for automatic asset allocation based on retirement age.

PROS:

CONS:

Limited investment options (only a handful of index funds and lifecycle funds).

Contributions must stop after leaving government service unless rolled over into an IRA or 401(k).

Sensitive to stock market fluctuations, as most funds are tied to market performance.



WHO ARE SJB US?

SJB US is a specialist financial planning firm helping US and non-US residents with cross-border financial planning needs, with offices in both the United States and the European Union.

Their mission is to simplify the complexities of international wealth management, tax planning, retirement strategies, and investment structuring for clients who have financial interests across multiple jurisdictions. SJB US offers tailored cross-border financial planning, including:

- **International investment management across the EU to globally.**
- **Cross-border tax planning ensuring tax efficiency under multiple jurisdictions.**
- **Retirement and pension strategies, including 401(k), IRA, and overseas pension integration.**
- **Estate and inheritance planning aligned with global regulations.**
- **Cash flow and wealth structuring to protect and grow assets globally.**
- **They help clients navigate tax treaties, pension rules, and investment regulations while aligning financial goals with compliant, cost-efficient solutions.**

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QUALIFICATIONS

Every adviser working for SJB US is registered with the U.S. Securities Exchange Commission (SEC) and is a Registered Investment Adviser (RIA) holding their Series 65 License. For EU or UK residents, every adviser is also qualified in these jurisdictions too. These experienced advisers bring broad knowledge sets and adhere to robust ethical practices to help you outline a clear financial plan based on your own needs and circumstances. We are a young, experienced, passionate team that strives to create a better world by trading ethically and putting clients first.

INDEPENDENCE

SJB US is an independently owned company, which means we always act in the interest of the client rather than the shareholders. The institutions we choose to work with are based in some of the most highly regulated and tax-efficient jurisdictions worldwide, and with some of the highest credit ratings and reputations.

WORLDWIDE

SJB US is a young, innovative and dynamic independent financial advice provider with a truly global outlook. As specialists in the field, we provide a unique cross border advice service between the US and the rest of the world, enabling us to tailor your own plan to your own situation.

FOR TOP-TIER ADVICE AND EXPERTISE, REACH OUT TO US TODAY.

Our team of specialised advisors is ready to assist you on your journey to financial freedom.

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- We recommend consulting a regulated financial adviser to discuss your specific situation and obtain tailored advice for your individual needs.
- This guide is not meant to offer, and should not be relied on for, tax, legal, or accounting advice. We advise you to review any specific tax and social security implications with your own independent professionals in those fields.
 - When it comes to financial investments, keep in mind that past performance is only a reference point and does not guarantee future results; your investments may fluctuate.
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