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Moving Abroad? Here's the Checklist: Part One

Planning to move overseas for a job, retirement, or just a change of scenery?



Destination Europe. PHOTO: GETTY IMAGES/ISTOCK

By **JONATHAN LACHOWITZ**

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Planning to move overseas for a job, retirement, or just a change of scenery?

That's great, but you have a job ahead of you before you go. If your employer is sponsoring your move, the company may provide relocation resources, but, ultimately, you need to be the project manager: You need to find the resources to avoid some of the costly mistakes common in an international move. You can avoid a lot of headaches by doing research in advance. And if you don't have an employer-sponsored relocation manager, it might make sense to find one on your own.

This list will give you an idea of some things to think about—and it won't hurt to start planning as much as a year in advance.

EMPLOYMENT CONTRACTS

Understand the terms of your employment contract and employee benefits. Some benefits that may be tax-free in the foreign country may still be taxable to U.S. citizens, reducing their value.

An international move can be expensive and if the job does not work out, you may be obligated to pay back certain relocation expenses or hiring bonuses, or you may be restricted by non-compete clauses. Find out the obligations you and your employer have towards each other if there is a termination of employment by either side. Talk to colleagues who have made the move before you.

BANKING AND FINANCIAL SERVICES

While technology has made access to financial services as easy as using an app, regulations and lack of competence on cross-border issues have made international banking and investing costly and confusing. If you are moving countries, especially into or out of the U.S., your financial service providers, such as your bank, broker, or credit card company may not be able or want to keep you as their client.

Research your financial institutions (in both countries) to make sure you won't have a disruption in services. It often pays to have a backup plan, which may include opening or keeping extra accounts at different companies.

Do your research on money transfer and foreign exchange as well. Many banks and credit card companies charge high fees for exchanging money, but there are also many low-cost providers. Try to avoid using credit cards with foreign transaction fees.

FAMILY ISSUES

Do your research on international schools. Private school can be expensive and some might have long waiting lists, so make sure to evaluate more than one option. For childcare, learn about the cost and make sure you know local employment rules if you are hiring domestic help.

Make sure to bring several copies of marriage and birth certificates, which often need to be officially translated. Additional copies may be hard to obtain from abroad.

Understand what might happen in case of divorce, and understand the rules in the jurisdiction where the divorce is filed, which can have huge implications. Also, you should understand the true value of your assets. In case of divorce, happen, find an attorney who is familiar with cross-border issues.



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If you're considering giving birth abroad, make sure to check your country of residence and country of citizenship about the implications of having children abroad and how to

obtain a birth certificate and passport. Even the babies of U.S. citizens, for example, are required to travel in the U.S. on a U.S. passport, but if your resident country grants citizenship by place of birth, it may require that the baby leave and re-enter the country under a domestic passport.

PENSIONS

Pensions and other forms of retirement savings are another source of risk and opportunity. Understanding your contribution and distribution options and potential tax treaty benefits can minimize the risk of double taxation and make the distributions as efficient as possible.

Pensions are often fixed in one currency; so if you are retiring in a country that uses a different currency, all of a sudden your “safe” income stream will be exposed to the fluctuation in exchange rates. Currency markets can fluctuate as much as the stock market and while cash and pensions are often deemed “safe,” both currency risks and taxes can take a big bite. Good planning can help, especially when non-pension assets can be invested to complement rather than increase the risks.

INCOME TAX PLANNING

Each country and region has its own tax rules, which often are in conflict with one another. Tax treaties can provide relief from double taxation at the federal level, though treaties are complicated and don't cover all situations.

International moves have a tricky impact on income taxes. U.S. citizens still have to file tax returns and may have to pay U.S. taxes when they live abroad. Even if you are fully or partially “tax equalized” through your employer, you may still find opportunities to save taxes that accrue to you and not to the company you work for.

Timing of income recognition is critical. In some cases, you may want accelerate or delay — before or after the move — the recognition of income such as capital gains, bonuses, stock options, or deferred compensation.

You should also learn about the tax system of your new country and never assume you know how your income and expenses will be treated in the new country.

The U.S. tax system is particularly complex. If you are a U.S. tax holder moving outside the U.S., you will still have to comply with U.S. federal and sometimes at the state or city level, in addition to the local rules.

So local tax planning that may make sense for a purely domestic taxpayer many times is counterproductive for a U.S. citizen. Before making voluntary pension contributions or using an “offshore” fund provider or other planning vehicle, consider



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getting a second opinion from someone who does not have a financial incentive in the advice they are providing and who is qualified to advise those from the U.S. perspective.

Many larger employers pay for the preparation of their employees' tax returns for the entire assignment or for the first one or two years. While this can be beneficial, a common source of frustration for the employee is that their personal concerns usually come behind those of the employer and the firm preparing their taxes. Hiring a qualified independent tax advisor who will advocate for the employee's interests may make sense.

And this is only the half of it: Don't miss part two tomorrow.



*Jonathan Lachowitz, founder of White Lighthouse Investment Management of Lexington, Mass., and Lausanne, Switzerland, is a financial planner and fee-only investment adviser specializing in cross-border planning. Among pieces for WSJ Expat, he is the author of *You Think Your Taxes Are Complicated? How Does Your Financial Adviser?*, and *Everything U.S. Expats Need to Know About IRS Forms (But Were Afraid to Ask)*.*

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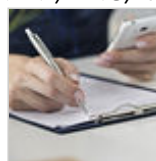
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