

# ACA Town Hall Evening Lausanne and Zurich Financial & Tax Planning Ideas for Americans in Switzerland

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- Board Member, Director & Volunteer at American Citizens Abroad for over 15 years
- Financial Planner & Investment Manager >\$550m
- Certified Financial Planner™ – US & CH
- Founder of White Lighthouse Investment Management, in Lausanne & Massachusetts, est. 2006
- Strong local and cross-border planning expertise
- Working with hundreds of Americans/multi-national families on cross-border planning & investments. >200 American families/clients in Switzerland
- Has written many articles on personal finance for the Wall Street Journal and Bloomberg
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## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

1. US Tax Compliance – Keeping up with ever more complex rules and practices
2. US Tax Planning – Using the rules in your favor – Why are my taxes so high?
3. Retirement Savings and Planning
4. Estate Planning
5. Making informed choices
6. Investment Management / Services
7. Finding Professional & Trustworthy Services – Also at a reasonable price
8. Managing Currency Risk – Is the CHF Strong or the Dollar weak?
9. Real Estate
10. Feeling Powerless to “Change the System” to be more fair



# Investment Planning

## Investments - Types

- Public Equity – Stocks / Shares in companies traded on public market
- Bonds
- Cash
- Real Estate
- Private Equity – Shares in companies that are privately held
- Metals
- Misc: Hedge Funds / Options / Derivatives /Collectables etc.
- All Investments have advantages and disadvantages, risks and rewards, cost and complexity.



# Investment Planning

## Investments – Accounts (Custodian) & Vehicles

- Bank
- Brokerage
- Direct Investment (funds, share certificates, physical ownership)
  
- Shares
- Mutual Funds
- Exchange Traded Funds



# Investment Planning

## Investment Accounts - Planning

- Investment allocation (not taxes) most important decision driving risk/return.
- Investment Horizon
- Goals: Retirement, Education, Home Purchase
- Risk Profile / Cash needs
- Fees
  - Advisor, trading, custody, funds
- Ease of Management





# Investment Planning

## Investment Principles

- Market Timing – does not work reliably
- Diversification – Key to lowering risk
- The longer your time horizon the more risk you can afford
- Invest for a purpose /goal
- Rebalancing – Re-adjusts risk, but costs in capital gains taxes
- Investment location (type of account) matters of tax efficiency
- Investment vehicles matter: Are you buying a product or is it being sold to you.
- Very few variables you can control in risk management/ retirement planning: - Risk level is one, spending levels is another.
  - Inflation, investment return, interest rates, exchange rates, tax rates in the future are best guesses – history is a guide, but an imperfect one





# Investment Planning

## Investment Accounts - Planning (Taxes)

- Taxes – Income, Capital Gains, Social Security, Wealth, VAT, Stamp
- Will I be taxed this year or another year or both?
- Tax Loss Harvesting (realized capital gains)
  - Gains/Losses timing can help to defer taxes
  - Lower current year income taxes
  - Investment advisor should know about US tax optimization
  - Much more efficient on low-cost trading platforms (generally in the US)
- ETFs tend to be more tax efficient than Mutual Funds (US)
- Qualified Dividends are better than non-qualified Dividends – in the US
- Tax-free in the US is generally not tax-free in Switzerland (Roth, 529)
- Location of investment type between tax-deferred and taxable accounts
- Potential gifting to non-citizen spouse to avoid some capital gains



# Investment Planning

## Checking out your Advisor / Firm

- US – Federal and State Level Registration
  - SEC Advisor Search: <https://adviserinfo.sec.gov/>
- Switzerland
- FINMA – Firms licensed
  - <https://www.finma.ch/en/finma-public/authorised-institutions-individuals-and-products/>
  - Swiss Advisor Registry – 3 Registers (not all individuals required to be registered)
    - ARIF - <https://registre.arif.ch/en/registre/>
    - Reg Services - <https://www.regservices.ch/en/client-advisor-search/>
    - Reg Fix - <https://www.reg-fix.ch/en/advisers-search>
  - FINMA Public info: <https://www.finma.ch/en/finma-public/>
  - FINMA – Ombudsman - <https://www.efd.admin.ch/efd/en/home/the-fdf/ombudsman-finsa.html>



# Investment Planning

## Investments – Accounts Currency / Cash

- Cash is great as a short-term store of value, in the currency it will be spent
- Safe keeping – account stability
- Physical cash
- Loses purchasing power to inflation
- Fluctuates against other currencies





# Investment Planning

## Investments – Accounts Currency

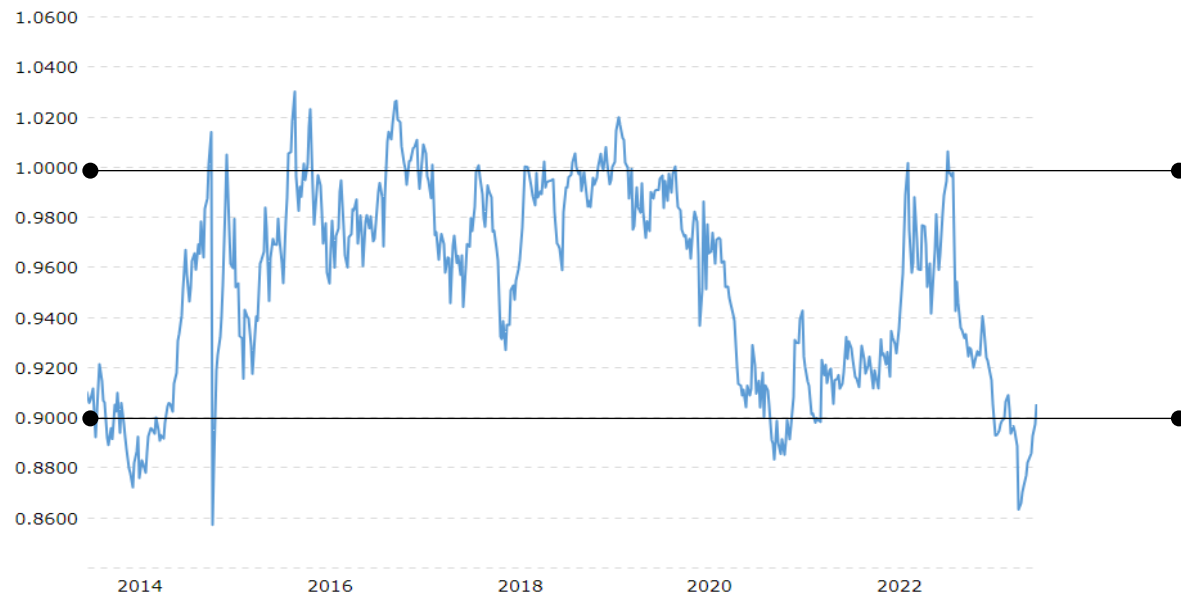
- 50 years – USD Depreciation against the CHF



# Investment Planning

## Investments – Accounts Currency

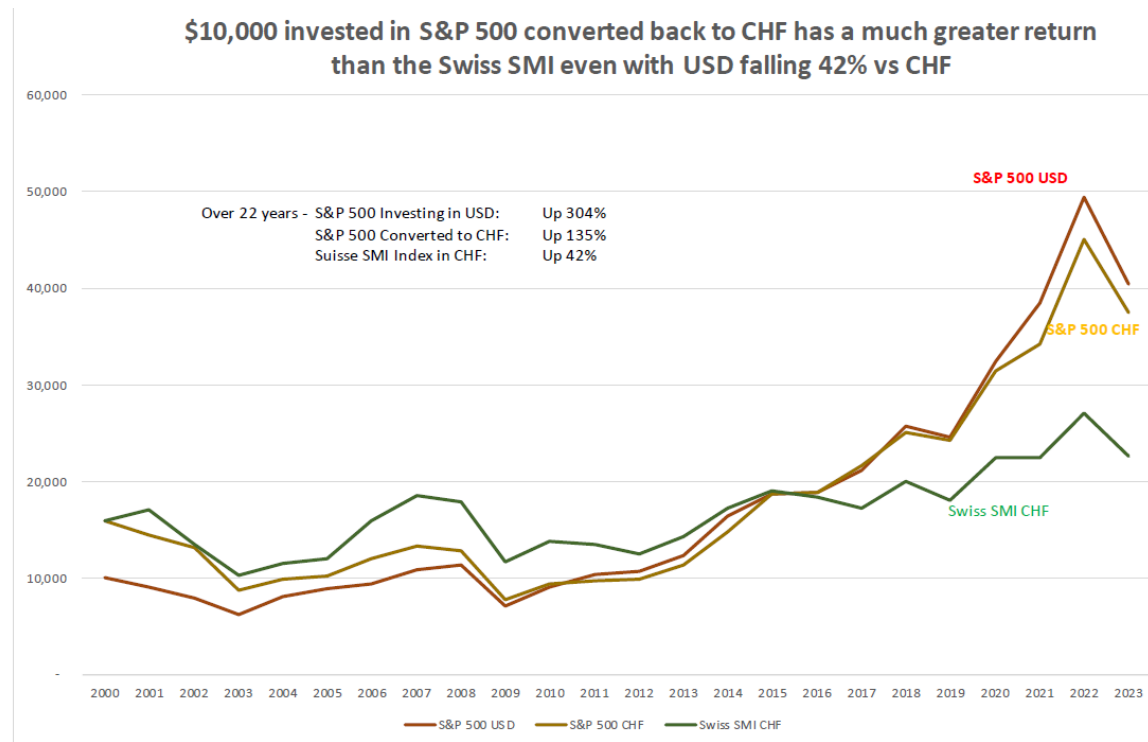
- Last 10 years – Relatively stable range mostly .90 to 1.0



# Investment Planning

## Investments – Accounts Currency

- Investments in US Stocks, Long Term – Generally Make sense in any currency





# Tax Planning

What can I legally do to reduce the total amount of taxes paid (in the US and Switzerland) while meeting my personal financial planning objectives?

- Income Taxes – Earned & Unearned
- Social Security Taxes
- Gift and Estate Taxes
- It is mostly about making lots of small decisions correctly and avoiding big mistakes.



## Concepts

- Tax Deferral (or acceleration)
- Tax Free Income
- Preferential Tax Rates
- Advanced Techniques
- Miscellaneous
  - Avoiding Tax Penalties
  - Avoiding Interest Rate Charges



## Retirement

### Tax Deferral Encouraged by Legislation

- 2<sup>nd</sup> Pillar
- 3<sup>rd</sup> Pillar
- 401k, 403B
- IRA, Roth Traditional SEP, Rollover Inherited
- Other Pension or Deferred Income Plans
- Theoretically Lower Taxes in Retirement
  - Unknowns:  
Future Tax Rates, Moving Countries (different laws)
- Tax-Deferred or Tax-Free Growth on Investments





## Retirement

### US Retirement Accounts – Accumulations

- Existing IRA Accounts: Generally, tax deferred in the US and Switzerland and no wealth tax in Switzerland (traditional)
- Annual IRA Contributions to lower US taxes – Possible, to lower Swiss taxes – Sometimes, consider a tax ruling
- Advantages of a US IRA
  - Flexibility in investments
  - Costs can be much lower
  - US tax benefits possible annually
  - Tax deferred growth
- More sophisticated options available for self-employed and some business owners



## Retirement

### US Retirement Accounts – Distributions

- Mismatch on Required distribution age: Switzerland (70), US (73)
- Taxable in the US and Switzerland (but in the same year, so treaty does what it is supposed to do)
- Lump sum taxation in Switzerland generally not available with periodic distributions, sometimes
- Distributions from US retirement accounts for non-US taxpayers can be complicated. Treaty rules may apply.
- US Custodians will follow beneficiary elections – May be inconsistent with Swiss Inheritance Law



## Retirement

### The Second Pillar

- Basic level of contribution mandated by law
- Company decides their contribution, payout ratio, and investment approach (not much employee flexibility)
- Pension “buybacks” may be possible, probably not advisable for US taxpayers or younger employees who are comfortable investing
- Great savings vehicle
- Great at deferring Swiss taxes (not US taxes)
- Not a great investment vehicle (especially for younger employees)
  - No choice to take more or less risk, everyone pooled





## Retirement

### The Second Pillar

- Track your US Tax Basis in your Second Pillar
- Excess Contributions Can Cause US Tax Problems or Inefficiency
  - Generally lowers Swiss taxes only to increase US taxes
  - Technically may turn the 2<sup>nd</sup> pillar into a Foreign Trust for US tax reporting purposes (though most tax advisors won't report that way)
  - More appropriate investment risk can be taken elsewhere
- Inefficiency in US–Swiss Tax Treaty: US taxes in year earned (no deferral), Switzerland at time of distribution
- Tax deferred in Switzerland, not for US purposes



## Retirement

### The Second Pillar – Distributions

- Distributions Taxable Events in US, (minus US tax basis)
- Movement to “libre passage” account – taxable event in the US
- Changing Employers and 2<sup>nd</sup> Pillar Plans – taxable event in the US
- Taking Lump Sum Distributions – Can be great tax planning event when done correctly: Track Basis
  - Moving through a Low Tax Canton may not help Americans
- Swiss Taxes on Lump Sum may be refundable in some circumstances



## Retirement

### The Third Pillar

- Generally not a good idea for US taxpayers
- Contributions tend to lower Swiss taxes and increased US taxes
- Investment choices tend to be treated as PFICS in the US
- Investment choices are often costly (hidden) and don't provide much flexibility
- Investing outside of a tax-deferred account for diversification is generally a better idea





## Education

### US Education Accounts

- 529 Plans not exactly recognized in Switzerland; should be considered as a normal “investment account”
- Tax free growth if used for qualified education
- Over 300 institutions outside US
- Lots of flexibility in terms of owners and beneficiaries
- Planning should be done carefully for Americans in Switzerland



## Gifts

- US – \$17k per year to annual individual (2023)
- Switzerland – Depends on the Canton
  - Vaud has a gift tax when giving to children, Geneva does not
- Lifetime exemption \$12.92m (will sunset in 2025)
- Gifting to Non-Citizen Spouse, \$175,000 (2023)
- Receiving a gift or inheritance from a non-US source
  - If over \$100k from one person in one year, even a spouse, reportable on Form 3520
- Be aware of Cantonal Rules in Switzerland on gifting



## Estate

- US Estate Tax Exemption \$12.92m per person (at least until 2025)
- Real Property in the US may be subject to State Level Estate Taxes
- If you have a US Trust, you may consider getting a review in Switzerland to make sure the estate won't be taxed punitively in Switzerland





## Miscellaneous

- Choice of Tax Preparer is important – though most don't provide tax planning services unless paid for as an extra service
- Selling a Home – Is it a primary residence? Are owners all US citizens? Is there a mortgage in non-USD? Is it in a US state?
- US income tax is owed on Swiss Social Security you pay into as an employee. This works the same way as in the US.
- Various treaties may impact taxes on income, estates, and social security
  - US & Switzerland have an Estate Tax Treaty from 1951/2 – Favorable for non-Americans owning US Assets
  - US & Switzerland have an Income Tax Treaty from 1996
  - US & Switzerland have a Totalization Agreement – Social Security Treaty from August 2014



## Small Business Owners

- If you and/or your foreign spouse own a foreign corporation, your tax situation may be very complicated...and costly...
- Check the Box Election
- Swiss Entity Selection for New Businesses – Sarl / gmbh has more flexibility for the US
- Optimizing salary versus dividends



## Compliance Accuracy

1. Using the wrong F/X to convert income or account balances from CHF to other currencies to USD
2. Failure to report income that is not taxable in Switzerland but that is US taxable
3. Failure to report employer contributions to Pillar 2 Swiss occupational pensions as taxable compensation in the year the contribution is made
4. Failure to exclude the above contributions in the Foreign Earned Income Exclusion (FEIE) calculations because these contributions are not eligible for FEIE
5. Failure to file FBAR or FBAR filing errors
6. Failure to file Form 8938, the FATCA form that was introduced in 2011, that requires filing foreign accounts including Swiss pensions
7. Failure to report Swiss fund investments as PFICs (Passive Foreign Investment Companies)
8. Failure to report Pillar 3s or incorrect reporting of Pillar 3s
9. Failure to report taxable distributions from Pillar 2s to a new administrator every time the Swiss tax resident changes jobs
10. Failure to keep track of US cost basis in Pillar 2 accounts
11. Making voluntary buy backs to Pillar 2s that cause the Pillar to be treated as a foreign grantor trust and failing to report the foreign grantor trust.
12. Overstating foreign tax credits
13. Failure to file corporate reports required by ownership attribution from a Swiss spouse (or any other foreign nationality) who is not a US citizen
14. Failure to report certain gifts or inheritances from foreign relatives
15. Failure to report certain Swiss income, such as family allocations, unemployment benefits, or reporting the incorrect amount of income





Questions after the presentation?

Email: [info@white-lighthouse.com](mailto:info@white-lighthouse.com)

[www.white-lighthouse.com](http://www.white-lighthouse.com)







## Back-up Slides from Prior Presentations

# Retirement Planning

1. Saving – How much do I need?
2. 4 Pillars...in a 3 Pillar System
3. Investing – Before and After Retirement Date
4. Key Retirement Questions:
  - Can I afford to retire?
  - When to retire?
  - Where to retire?
  - Can I “work” in retirement?
5. Withdrawing from 2<sup>nd</sup> Pillars
6. When to Claim US and Swiss Social Security





# Retirement Planning

## How much do I need?

### Driving Factors

- Life expectancy
- Taxes
- Inflation
- Investment return
- Spending Needs
- Percent covered by pension  
(Government & Private / Company)



# Retirement Planning

## How much do I need?

### Driving Factors

- Try our simple calculator:  
<https://white-lighthouse.com/resources>
- The pros and cons of modeling retirement needs
- Is leaving gifts or inheritance important?
- Do I need to support a family member in retirement, adult child, parent, special needs, etc.?



# Retirement Planning

## **Saving – Accumulation**

### The 4 Pillars of the 3 Pillar System

1. Social Security – Pillar 1
2. Company Pension – Pillar 2
3. 3<sup>rd</sup> Pillar – Great for financial companies
4. Private Savings & Investment – 4<sup>th</sup> Pillar
5. The 3 Pillar System has some impending changes...





# Retirement Planning

## US and Swiss Social Security

- Totalization Agreement
- US – Medicare
- Treatment of Spouses – Benefits
- Contributing to both systems?
- Windfall Elimination Provision



# Retirement Planning

## Swiss and US

- US Social Security
  - When should I claim? Early, on-time, or deferred?
  - Should I pay into Medicare?
  - Can my foreign spouse get benefits?
  - Am I subject to the WEP?
- Swiss Social Security
  - Should I claim on-time or defer?



# Retirement Planning

## 2<sup>nd</sup> Pillar – Contributions

- Mandatory Employee and Employer – Proper US reporting: 8938, FBAR
- Voluntary: Can lower Swiss taxes but can also trigger grantor trust rules...you want to avoid this! (3520A, PFICs, etc...)
- Does lowering Swiss taxes increase your US taxes
- Avoiding double taxation: Are you tracking your US tax basis
- Investment choices?
- Currency risk, inflation risk
- Can't use FEIE for employer contribution – 911(b)(1)(B)(iii)
- 2<sup>nd</sup> Pillar – Libre Passage – Distributions from a Foreign Pension Plan, some Swiss Pensions are changing their rules...





# Retirement Planning

## Withdrawals - 2<sup>nd</sup> Pillar – Distributions

- Lump Sum or Annuity – Or both?
  - Permanently leaving the country
  - Statutory retirement age
  - Leaving employment – Invest in business
  - Buying a home
  - Death
- Taxable in the US & CH



# Retirement Planning

## 3<sup>rd</sup> Pillars

- 2<sup>nd</sup> Pillars but worse for most US persons
- US tax treatment
- PFICs
- Investment Choices
- Are US compliant options available?
- How about 2<sup>nd</sup> pillar Libre Passage?



# Retirement Planning

## US IRA Accounts

- Can lower / defer US taxes – not Swiss taxes
- No income limitation if you don't contribute to US Qualified Plan
- Report properly in the US & Switzerland
- Investment choices
- Mismatch with Switzerland on distribution age





# Retirement Planning

## Retirement Savings Does Not Have To Be In A “Retirement” Account

- Maximum flexibility
- Control over fees
- Control over investments
- Control over currency
- More potential risk – but this can be a good thing – especially with buy and hold



# Retirement Planning

## Where to save for retirement?

- Retirement account
  - US, Switzerland, elsewhere
- Investment account
- Savings account
- **You will have the biggest impact** – Saving, investing, and avoiding large mistakes



# Retirement Planning

## Major Problems with Swiss Retirement System Especially for Americans

- Does not encourage real home ownership (ownership by bank but with personal risk or renting and subject to interest rate and currency risk)
- 3 Pillar System is not well-diversified depends too much on Swiss Franc bonds and not well-diversified on stocks
- Savings in the 2<sup>nd</sup> and 3<sup>rd</sup> Pillar can be tax inefficient for Americans
- Swiss Company Pensions & Social Security will run into problems in the future with negative yields on bonds, narrow equity choices, high fees and overpriced real estate – diversification is critical
- The system is great for encouraging savings; but not for investment
- The system encourages companies to “early retire” employees over 55
- Many Swiss (and non-Swiss) decide to retire elsewhere





# Retirement Planning

## Retirement Planning Questions for Americans in Switzerland

Should I stay (in Switzerland) or should I go (back to the US or elsewhere)?

- Often a lifestyle and sometimes a financial decision
- Crossing borders presents risks and opportunities
- Residing in two countries – enjoyable, complicated, expensive
- Cost of living: matching income to expenses – currency
- Working in retirement
- Tax system
- Health benefits
- Language – especially with service providers



# Financial Advice & Investing

- Traditional advice for an employee in Switzerland may not meet expectations for Americans in Switzerland
- At traditional retirement age, you will need to prepare for the long-term
- Hard to Save – Easy to make costly mistakes



# Financial Advice & Investing

## Difficult to Find a Competent Advisor

- Most Financial “Professionals” sell their company’s financial products and put clients into a pre-determined basket of investments to maximize bank profits and minimize time spent with clients and truly advising clients.
- Too many “advisors” don’t have comprehensive knowledge; especially for overseas Americans in a given country



# Financial Advice & Investing

## Investments

US or Swiss Institutions

- Cost
- SEC Registration – What does that mean?
- FINMA authorization – What does that mean?
- Advisor Qualifications
- Product Choice
- Tax Reporting (in both countries)

# Financial Advice & Investing

## Investments

### Common Mistakes

- Use of PFICs
- Tax inefficiency: What types of investments in which accounts
- Not doing tax loss harvesting
- Muni-bonds?
- Long-term commitment: High fees, low liquidity
- Expensive and incomprehensible investment products
- Expecting to only take investment risk when markets go up
- Unreasonable expectations of investment returns
- “Offshore” plans

## Being a Smart Financial Consumer

- Investment of your time – even if the subject is not interesting
- Together with your spouse or partner
- Educate yourself
- Hiring a professional(s) where specialists are needed
- You will need to pay for the most good professional advice
- Being a good client – Most good advisors choose you as much as you choose them. Be respectful, honest, and timely.
  - E.g. If you have had 5 new tax advisors in 5 years, the problem may not be the tax advisors
  - The Swiss Expat community is small
- Know your costs
- Know your rights and obligations
- Know what services you are looking for
- Comparison shopping



# Financial Advice & Investing

## Choosing a Financial Advisor

- Do you need a financial advisor or planner? Why?
- What is a financial advisor? Different titles...
- Whose interests do they put first? Are they a fiduciary, employee, salesperson?
- What are looking for and what do you think you need?
  - A financial plan?
  - Investment advice?
  - Retirement advice?
- Get references from people you trust – Ask the one thing your reference does not like
- What licenses, education, and registrations do they hold? CFA, CFP®, CHFC or PFS (for CPAs) are some of the most respected.
- What experience do they have? Would you be a typical client?
- How does the advisor get paid?
- Is their advice objective? How do you know? Are they paid more to sell their company's products? Can they choose any type of investment for your account?
- Will they consider or advise on assets not under their management?
- Ask them if they can beat the market.
- Have they or their firm been involved in any lawsuits, consumer complaints, or other disciplinary action?

# Financial Advice & Investing

## Choosing a Financial Advisor – 2

- What kind of firm do they work for?
  - Employee of a large firm
  - Employee of an Independent Advisory Firm
- How was the first contact made: Did they call you first?
- Are they “selling” a tax efficient or Offshore product?
- Where are your assets held in custody?
- Who has the ability to remove assets from your account?
- What is the firm’s cybersecurity policy?
- Would you be a typical client of the firm?
- Try this quiz from the Wall Street Journal:  
<http://blogs.wsj.com/expat/2015/05/03/attention-u-s-expats-take-this-quiz-and-see-how-your-financial-adviser-scores/>

## Recommended Questions for Your Financial Advisor

- What was your largest mistake in the past 10 years? What did you learn from it?
- Do your financial incentives always line up with my best interests?
- How do you manage conflicts between your goals as an employee and what is best for your clients?
- Would you change your strategy for managing my account based on changes in the macro-economy?
- Who in your firm actually makes the decisions on my account?
- How have your clients' portfolios performed over the past 10 years?
- If I wanted to buy a couple of broad based (low cost) index funds or ETFs, which would you recommend?
- May I speak with one of your former clients?
- If you ask for a referral, is more than one choice presented? And/Or an explanation of why a specific client name is given?
- When was your last job change, and why?



## Questions for your Financial Advisor – Continued

### Do your research

- Tell me about some of the outside professionals you work with: Do you pay or get paid for referrals? Do you disclose this to clients?
- Ask about their regulators, auditors (when needed)
- Is your advisor required to have continuing education?
- Ask about Errors and Omissions Insurance
- Where could you file a complaint if you could not resolve your differences with your advisor?
- Is there any after-sales “service”? In what way?

## Evaluating an SEC Registered Firm

- For US Registered Advisors
  - Very easy for a company to register with the SEC. It is all about disclosure.
  - Individuals have to pass the Series 65 Exam (relatively easy 3-hour exam, requiring 72% correct)
  - Investment Advisor Search:  
[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)
    - Check out the firm and the individuals
    - They should offer a copy of their ADV 2 (Firm and Individual)
- To verify CFP® certification: <http://www.cfp.net/>  
(not required for SEC registration)

## Investment Management Decisions

- Investing versus Savings
- Risk versus Return
- 3 Ways to Manage Money
  - Market timing
  - Security selection
  - Asset allocation (generally positive)





## Investment Management & Wealth Building Essentials

- You have the biggest impact on your finances earning and spending
- Asset Allocation – Primary Driver of Returns
- Diversification is critical – Only way to increase expected returns without increasing risk
- Only take stock market risk over long horizons
- Don't try to time the stock market
- Dollar cost average
- Save regularly
- Keep costs efficient & effective – spend where it makes sense



# Financial Advice & Investing

## Investment Management Considerations

- Investment management & trading is a commodity. It is planning services & advice that generally have a much bigger impact.
  - Though many “advisors” are really just selling expensive products, not advice
- Understand what your “advisor’s” role and expertise is...and is not
- Consider Low Cost Index – ETFs – not leveraged
  - Diversified, tax efficient, highly liquid, low cost
- Avoid PFICs (non US-based funds)
- Consider US Custody – price, execution/liquidity
- Understand Your “Real” Currency exposure
  - The SMI is primarily a US Dollar Stock Index of companies with a significant presence in Switzerland
- Retirement savings does not have to be in a “Retirement Account”. After tax is often better.
- Don’t necessarily make moves that are tax efficient in one country only; when subject to two country’s tax laws and it causes tax increases in the other

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

1. US Tax Compliance – Keeping up with ever more complex rules
2. US Tax Planning – Using the rules in your favor
3. Saving for Retirement
4. Estate Planning
5. Insurance – Especially life insurance
6. Investment Management Services
7. Finding Professional & Trustworthy Services – Also at a reasonable price
8. Managing Currency Risk
9. Real Estate
10. Feeling Powerless to “Change the System” to be more fair



# Financial Advice & Investing

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

1. US Tax Compliance – Keeping up with ever more complex rules
  1. File your tax returns (including worldwide income), pay your taxes on time and file your FBAR/FinCEN 114 and you will avoid 90% of “problems” that overseas Americans run into.
  2. Next page has some of the most common overseas tax forms.
  3. Employer and Employee contributions to retirement accounts are taxable in the US (flaw in the treaty). Track your US tax basis..
  4. Owning non-US investment funds is for most US taxpayers a recipe for trouble (especially without a tax advisor and even in 3<sup>rd</sup> Pillar accounts).
  5. Even the most “simple” situation can be challenging to report properly.
2. US Tax Planning – Using the rules in your favor
  1. If you have earned income and it is not all excluded, you can make a tax deductible IRA contribution.
  2. Having a year with no income or low income for the US, consider a Roth conversion of US retirement accounts.
  3. Watch how your investments are structured: ETFs often better than similar Mutual Funds due to less capital gains distributions.
  4. Consider gifting and/or titling of accounts especially if married to non-citizen spouse.

# Financial Advice & Investing

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

### 3. Savings for Retirement

1. By far the most important thing is to save, regularly, this will have the biggest impact on your retirement.
2. Retirement savings **DO NOT HAVE TO BE IN A “RETIREMENT” ACCOUNT.**
3. Don't "save" on Swiss taxes only to increase your US taxes.
4. TRACK YOUR US TAX BASIS in your 2<sup>nd</sup> and 3<sup>rd</sup> Pillars to help avoid double taxation in retirement.
5. Retirement savings in a non-tax-deferred account has other tax and non-tax advantages: Capital gains treatment is better, diversification and personalization of strategy is possible.
6. Whether in Switzerland or the US, you will probably live longer than you think (on average); and Switzerland still has a mandatory retirement age for most jobs. You may need to be saving more than you think.
7. Understanding of how US Social Security and Swiss AVS rules can work for or against you; especially with the deferral of benefits.

### 4. Estate Planning

1. Your US Will may not be executed the way you are expecting if you die in Switzerland.
2. If you are not Swiss, you can elect to have your home country law apply.
3. A Swiss Notary or Attorney can help you get your paperwork in order.
4. Switzerland has forced heirship rules, which means your children will inherit some of the estate upon the death of the first parent...unless you choose items 2 and 3 above.

# Financial Advice & Investing

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

5. Insurance – Especially Life Insurance
  1. Life insurance is most valuable in the currency it would be needed.
  2. US taxpayers should try to avoid building cash values or investing in non-US compliant life insurance.
  3. Consider having a spouse own the policy for US estate planning purposes.
  4. Medical insurance is private retirement in Switzerland; Medicare with supplemental insurance can be a reasonable alternative, but not available outside the US.
  5. Term insurance is generally far cheaper in the US but most US companies can not sell insurance to Swiss residents.
  
6. Investment Management Services
  1. Difficult (not impossible) to find comprehensive advice for US persons at a reasonable price if Swiss domicile of account is preferred.
  2. Strongly consider using a US investment account. Prices tend to be more competitive for discount brokerage firm; you can own most Swiss investments in a US-based account.
  3. Being SEC registered does not mean a firm has any particular competence in working with US persons. Do your homework and be clear about what type of advisor you are looking for. Many (in the US and Switzerland) are strictly salespeople with a fancy title.



# Financial Advice & Investing

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

7. Finding Professional & Trustworthy Services – Also at a reasonable price
  1. If your bank/banker has asked you to leave because you are a US person, use this as an opportunity to go through a good selection process. Far too many people research a new restaurant more than they do their advisors.
  2. Get references and follow through.
  3. The community of professional advisors who serve US persons (tax, legal, financial, etc) is small. Sometimes going outside the country/community can help.
  4. Most good advisors don't need to advertise and don't need to look for new clients; they can easily afford to reject new clients who are not good for their business.
  
8. Managing Currency Risk
  1. Holding cash in one currency that will need to be spent in another country is risky (exchange rates).
  2. Holding cash for “long-term” investment in the currency it will be spent is risky (inflation).
  3. Global stocks, including large part of the SMI are highly correlated to the US Dollar, not the Swiss Franc. Nestle, Novartis and Roche – Buying shares in a company that is denominated in Swiss Francs are not much “safer” than holding stocks in dollars or euros.
  4. Holding dollars for the last 40 years you saw the dollar go from buying 4 Swiss Francs to buying less than 1 Swiss Fran. Holding shares in the S&P 500 saw an annual return, in Swiss Francs of close to 10%.

# Financial Advice & Investing

## Top 10 Personal Financial Challenges for Americans in Switzerland and How to Address Them

9. Real Estate
  1. Make sure you understand the income tax implications in the US of your Swiss real estate in terms of: Mortgage interest deduction, the sale of your home (capital gains or losses), and the paying off of your mortgage (capital gains and losses). This is a big shock to lots of US persons, see your tax advisor for good advice.
  2. Swiss Home Improvement Deductions can cause you to pay more US taxes.
  3. The main reasons people make money in real estate is leverage and forced savings (to pay down a mortgage over a long period of time. Luck helps.
  4. The main reasons people loses money in real estate is leverage, unfortunate timing and a short-time horizon.
10. Feeling Powerless to “Change the System” to be more fair
  1. Join ACA (or better, volunteer for ACA) and encourage your friends to join too. A very small organization with very little funding but lots of passion has a voice in Washington and in the US press; and it is increasing.
  2. Vote in Federal Elections & Contact your Representatives in Congress.
  3. Contact the US Embassy.
  4. Talk to the Press and be active on Social Media.
  5. Nothing will change in Washington DC without individual citizens working for change.

## Saving for College Education

- Saving in a 529 is still possible when living overseas – But not always a good idea
- 529 funds can be used in hundreds of non US based Universities
- Can be used as an estate planning tool



# Financial Advice & Investing

## How Risky Is Cash In The Bank?

Is your “guaranteed” money really safe in the bank?

\$100 Principle  
x4% Interest  
\$104.00 EOY

\$4 Earned Interest  
35% Marginal Tax Rate  
\$1.40 Lost to Taxes

\$102.6 After Tax Value  
3.5% Inflation  
\$3.59 Lost to Inflation

\$104.00 Nominal End of Year Balance  
-\$1.40 Taxes Due  
-\$3.59 Inflation  
\$99.01 Real Value at the End of the Year

*Conclusion: Real loss of 1% in the first year. Over 9.5% loss in 10 years and 30% in 35 years!*

*You pay for certainty: no risk= no real return*

## Summary for Foreign Information on “Common” US Tax Forms

1. Form 2555 – Foreign Earned Income, generally due with the tax return for US citizens and resident aliens living abroad to exclude a certain amount of foreign earnings from taxes when relevant to claim the housing exclusion.
2. Form 1116 – Foreign Tax Credit
3. Form 8938 – To be included with tax return for individuals with foreign assets over \$50,000 [higher limits for overseas residents]
4. **FBAR Form FinCEN 114** – Report of Foreign Bank and Financial Accounts, filed by June 30 of **2016**, and with the tax return in future years if at any time during the previous year the aggregate value of the taxpayer’s foreign accounts exceeded \$10,000 (["IRS Releases Revised Foreign Bank Account Reporting Form"](#))
5. Form 5471 – Information Return of US Persons with Respect to Certain Foreign Corporations, attached to and filed with the taxpayer’s income tax return
6. Form 8621 – Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, Applies to most foreign mutual funds, one form per fund is required and filed with the taxpayer’s income tax return
7. Form 8858 – Information Return of US Persons with Respect to Foreign Disregarded Entities, filed with the taxpayer’s income tax return
8. Form 8962 – To report exemption from Affordable Care Act Health Insurance
9. Form 3520 – Annual return to report transactions with foreign trusts and receipt of certain foreign gifts, due on the date that the taxpayer’s individual income tax return is due (generally April 15), including extensions
10. Form 3520-A – Annual Information Return of Foreign Trust with a US Owner, generally due March 15
11. Form 8865 – Return of US Persons with Respect to Certain Foreign Partnerships, attached to and filed with the taxpayer’s income tax return
12. Form 926 – Return by a US Transferor of Property to a Foreign Corporation, filed with the taxpayer’s income return
13. Form 8833 – Disclosure of Treat Based Position
14. Form 8832 – Entity Classification Election, often filed for a foreign company to elect disregarded entity status; thus, the tax responsibility flows through to the owner so that there is no tax at the company level



## 2023 Gift & Estate Limitations

- Annual gift exclusion amount at \$17,000 for
- Federal Estate Tax (Lifetime Gift Exclusion amount) \$12.92 Million and Indexed annually for inflation
- **2023** Gift Exclusion amount to non-citizen spouse increases to **\$175,000**
- End of 2025 – Lots of tax changes / sunseting of current levels





## 2016 Tax Summary

### Page 6 – Passive Foreign Investment Companies – PFICs – Non-US Investment Funds

- Form 8621 – filed if the taxpayer is a ‘Shareholder of a Passive Foreign Investment Company (PFIC) or a Qualified Electing Fund’. Most foreign mutual funds are PFICs.
- The filing requirement applies no matter how small the investment if there is a distribution (dividend), disposition (sale) of shares, or a special election (QEF or MTM) is made
- Reporting requirements may apply, with limited exceptions, even if there is no income to report and no special election needs to be made
- The IRS estimates that it takes a PFIC owner 16 hours, 44 minutes for annual record keeping; 9 hours, 56 minutes for learning about this form; and 14 hours, 14 minutes for form preparation and filing per form...and a SEPARATE form is required for EACH PFIC!
- PFIC taxation:
  - Unless a special election is made, PFICs are taxed by default under the punitive Excess Distribution rules; income is ratably allocated to each day of the holding period of the investment, it is taxed at the highest marginal tax rate applicable each year plus an additional interest charge is added, resulting in very high effective tax rates
  - Timely made Qualified Electing Fund and Mark to Market elections can result in more favorable taxation, but these elections are available under limited conditions that may not be applicable to every investment.

**Message: It is not worth owning PFICs for 99.99% of Americans overseas. If you already own them, selling often makes sense, though you should review the consequences.**



# Concluding Thoughts

- Time and education are your best assets
- Are you passionate about what you are doing? If not, what are you doing about it?
- Are you saving enough? Save early and often – time value of money is a miracle.
- Are your expectations realistic?
- Remember Risk v Reward – There is no such thing as a free lunch
- Keep fees and expenses low – But not too low
- Find professional help when you need it – Hire people who are more qualified than you. A financial planner can help you stick to your plan!
- Understand the real differences between gambling and investing
- Don't expect government, company, family, or children to take care of you. If they do, that's a bonus, You are in the driver's seat.
- Don't look at your portfolio too often.
- Things change, be prepared!





# Tips for American Expatriates

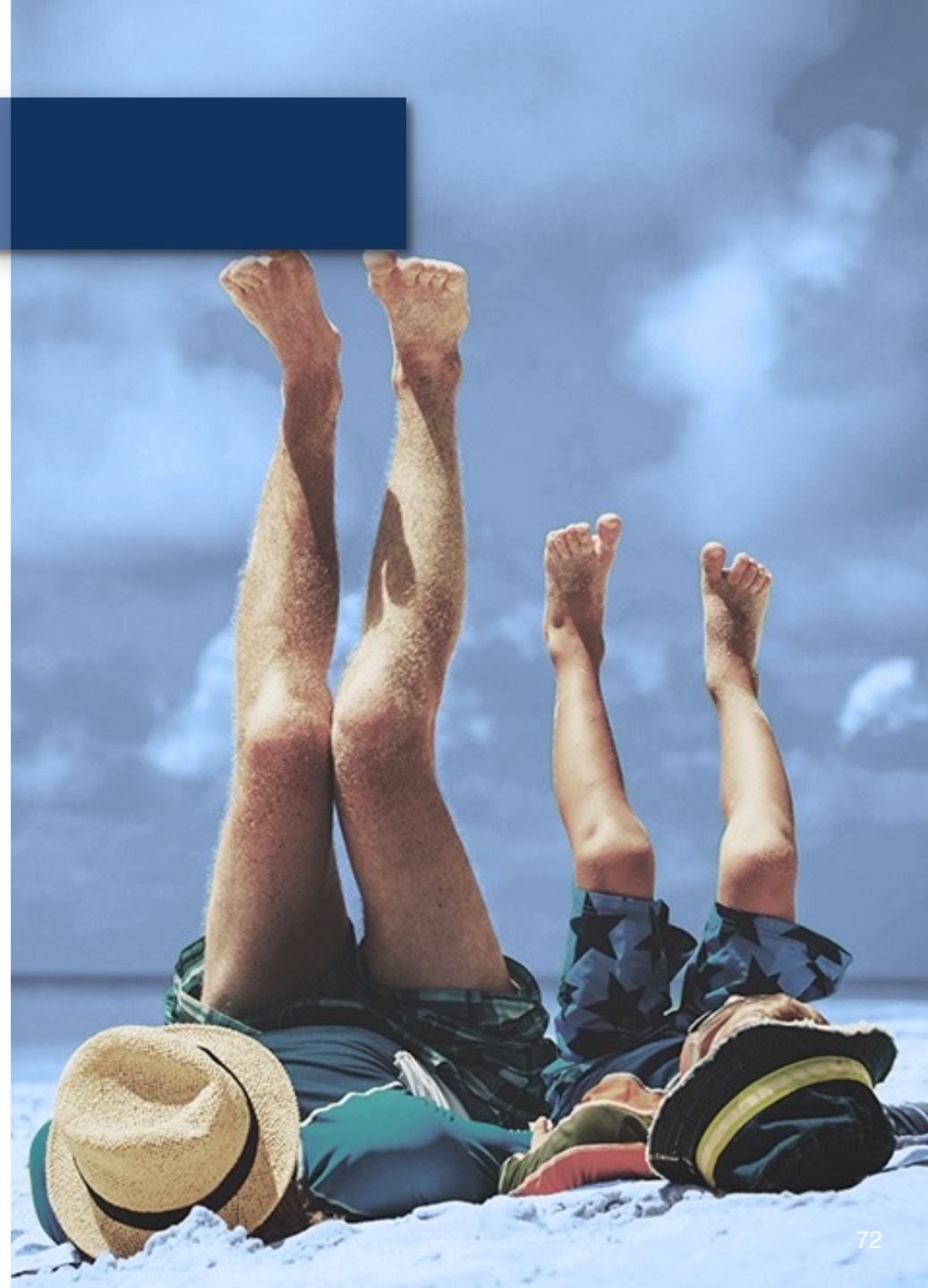
1. Get a regular copy of your free annual credit report (+1 877 322 8228)
2. Consider implementing a security freeze to prevent ID theft:  
<http://redtape.msnbc.com/2007/11/now-a-way-to-st.html#posts>
3. Get a regular copy of your US Social Security Statement: : <http://www.ssa.gov/>
4. File your Annual US Tax Returns
5. Keep a US credit card, with a US address
6. Keep a US mailing address (For investing, credit cards & possible insurance)
7. Get a US phone number (Skype, call 800 number for free)
8. Review life insurance and long-term care insurance in the US
9. Review a US-based Will
10. Investigate what happens if you were to die while living overseas (Swiss law is different than US)
11. If you plan to return to the US, work with advisors who are experienced with the US “system”: financial, tax, legal, etc.
12. Travel to the US only on your US passport
13. Vote in Presidential Elections (Federal ok, local elections not advised from overseas)
14. Check out previous residence: “Unclaimed Property”
15. If you are married to a non-American, make sure you know the estate planning and gift tax implications! There are advantages and disadvantages...





# Tips for Parents

- Kids see and emulate more than we are aware of. Are your money actions in-line with the values you would like to teach?
- Don't tie allowance to household chores
- Give responsibility early:
  - Allowance: Save, Spend, Invest, Charity
  - Bank Accounts
  - Credit Card (for convenience)
  - Employment
- Encourage & support: savings, investing, charity, and spending
- Financial training does not end when the kids leave home
- Use the right language: Don't say, "We can't afford it"
- Include children in money discussion. Ensure they know how much things cost.
- Be open with your spouse
- Emphasize doing your best rather than being the best
- Don't argue regularly about money in front of your children



## 2023 Tax Summary

### What's New

- FEIE \$120,000 in 2023 up from \$112,000 in 2022
- Top US Federal tax rate 37% for income \$693,750 and up (Married Filing jointly, \$578,100 HOH, \$578,125 Single, \$323,925 for Married Filing Separately)
- US Long Term Capital Gains Top Rate: 20% [0% or 15% may apply]
- Medicare Surcharge 0.9%
- Net Investment Income Tax 3.8% and Medicare Surcharge of 0.9%: for joint filers >\$250k, individuals >\$200k, Married filing separately >\$125k



## 2023 Tax Summary

### Page 2

- Kiddie Tax – Children can earn \$1,250 with no taxes, up to \$2,500 at reduced rate, and over \$2,500 at parents' rates
- \$6,500 IRA contribution limit (traditional IRA) \$7,500 if over 50 years old
- Federal Gift tax exclusion \$17,000
- Federal Estate tax exclusion (for US persons) \$12,920,000 (through 2025) – Only \$60,000 for non-US persons holding US situs assets – Federal Estate Tax rate up to 40%. \$60k limit may be increased by Treaty (e.g. US and Swiss Treaty).





## 2023 Tax Summary

### Page 3

- Net Investment Income Tax: 3.8% on the lesser of:
  - Your net investment income
  - The amount of your modified adjusted gross income (basically, your adjusted gross income increased by an amount associated with any foreign earned income exclusion) that exceeds \$200,000 (\$250,000 if married filing a joint federal income tax return, \$125,000 if married filing a separate return)
  - [Effective start year 2013 tax year and does apply to foreign income]
- If you are a high-income wage earner [over \$250k MFJ] with a W-2 [and self-employment income] at the end of the year, you will have a .9% Additional Medicare Tax (AMT) on income over \$200k. This will be reported on the new IRS Form 8959. [Effective 2013 tax year and does not apply to foreign income] and will not be matched by employers.
- No mandatory health insurance if you live outside of the US for the entire year

*Some content on this slide and the next 3 slides are from **Larry Lipsher**, US Tax professional based in Asia and fellow ACA member and PTAC professional*



## 2023 Tax Summary

### Page 4 - FBAR

- FinCEN 114 (aka FBAR) can only be e-filed on the Financial Crimes Enforcement Network: <http://bsaefiling.fincen.treas.gov/NoRegFBARFiler.html>
- The old FBAR form TD F90-22 has been replaced by the FinCEN 114. The TD F form had 3 pages of instructions. The FinCEN 114 has 19 pages of instructions
- If a 'third party' (i.e. tax preparer) will be e-filing for you, you must present a signed FinCEN 114 A to that preparer
- New Filing Deadlines for 2016 tax year and beyond! April 15<sup>th</sup> (2017) but extensions possible until October 15<sup>th</sup>



## 2023 Tax Summary

### Page 5 – Form 8938

Specified foreign financial assets must be reported on this form. There are filing level 'differentials' with lower amounts for US domiciled filers and expat filers.

- MFJ overseas: \$US400,000 balance for all specified foreign financial assets as of 31 Dec 2013 or balances on any day during the year that value was \$US600,000
- MFS or Single overseas: \$US200,000 at 31 Dec or \$US300,000 as highest aggregate amount during that year
- The 2012 Form 8938 was 2 pages. The 2015 version and beyond is 3 full pages.
- There is a 12-page set of instructions, with examples, explaining what is considered a specified foreign financial asset

IRS Comparison of what needs to be filed on the 8938 versus the FinCEN 114 (FBAR):  
<http://www.irs.gov/Businesses/Comparison-of-Form-8938-and-FBAR-Requirements>





# Investment Planning

## Investments – Accounts Currency

- Last 10 years – Relatively stable range mostly .88 to 1.0

USD to CHF Chart **-5.72%** (10Y)

• 1 USD = 0.884178 CHF Sep 4, 2023, 17:57 UTC

US Dollar to Swiss Franc

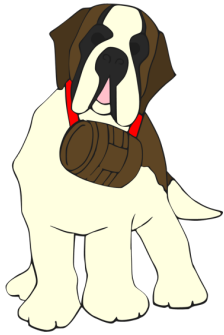


# Tax Planning

## Retirement

Tax Deferral Encouraged by Legislation – US & Switzerland

How are my US IRA accounts treated in Switzerland – Well....It depends....



**A man from the US, a St. Bernard and a Swiss are sitting and talking about where babies come from:**

- The St. Bernard says: "The stork brings them here. There is a stork's nest on almost every house's roof."
- The American man thinks and says, "in America, Babies come from the hospital".
- The Swiss is a little embarrassed. "I don't know exactly where babies come from", he says, "but it definitely varies from canton to canton".

