

# Moving to the US?

Crossborder Financial Guide –  
taking care of you before you leave



## Prior to Relocating

- If you plan to spend considerable time in the US but ultimately intend to return to Canada, consider the tax implications of unrealized gains and US estate tax implications on your worldwide assets. [It may be appropriate to consider establishing trusts or holding companies – see below.](#)
- It is often difficult to arrange financing and credit in the US as a new resident. In addition, the management of investment accounts while a US resident will encounter hurdles due to securities regulations. [We can manage your investment accounts and assist in establishing dual country credit cards, mortgages, RRSP, IRA, investment and chequing accounts.](#)
- [Complete Canada Revenue Agency form NR-73 Determination of Residency \(Leaving Canada\).](#) Your Tax Advisor can assist you in completing the form. If you require a copy of the form, please let us know.

## Registered and Investment Accounts

- [By June 30th of each year the Treasury Department requires Foreign Bank Account Reports \(FBAR\) to be filed by US residents with foreign accounts valued at \\$10,000 or greater. The prescribed form is called TD F 90-22.1](#)
- [If you plan to keep your RRSPs in Canada, consider a “step-up” in the cost basis.](#) This “step-up” will increase the cost base of your RRSPs to the current market value and by doing so may avoid capital gains taxes on your RRSPs while in the US. The step-up should be carried out prior to moving to the US.
- [With respect to stock option plans, certain public companies can assist their employees in implementing stock monetization strategies.](#) Equity monetization helps reduce portfolio concentration and increases liquidity by reducing your exposure to a single stock in a tax efficient manner – without selling the stock. Your HR department should be able to provide you with more information. [We can also provide help in monetizing large equity positions in your portfolio in a tax efficient manner.](#)
- [You should structure your investment portfolio by taking into account the tax treatment of the underlying investments, in both countries.](#) Certain types of investment income are more suited to specific accounts. For example, dividend bearing investments are better suited for US non-retirement accounts; income trusts are more suited for Canadian investment accounts. [We can assist in your portfolio structuring and management.](#)
- Accurate record keeping of foreign exchange rates as well as investment transactions and incomes are essential for tax reporting. It is also important to address portfolio risk migration when managing cross border investment accounts. This occurs when the overall portfolio is being managed separately in each country without regard as to how underlying investments in each country interact and influence the total portfolio. This can lead to risk migrating across portfolios without any one person having responsibility or control. [It is best to task someone with overall portfolio responsibility.](#)
- Investment accounts in either country should be managed cohesively, with an eye towards minimizing duplication, concentration risk, adequacy of currency exposure and bond yield leakage. [Investment accounts managed separately in each country often lack the coordinated discipline necessary for portfolio optimization and risk management.](#)
- [If you are being transferred to a US subsidiary of a Canadian company, enquire with your HR department about:](#) Cross-border group-RRSPs; CPP and company pension plan credits; Social Security transfer credits; timing (impact) of stock options; and

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Deferred Compensation Arrangements (DCA). The 2009 Tax Treaty changes provide for increased unification and credits for employees.

- [Completing IRS form 8891 enables you to defer tax on your RRSPs until you withdraw income.](#) However, you must maintain and report annual income and distributions inside your retirement accounts. The problem is that tax slips are normally not issued for income and distributions within an RRSP. In addition, several states such as California do not recognize Canadian retirement accounts. [Co-ordinate the appropriate forms with your Tax professional.](#)



## Trusts, Estates and Long-Term Planning

- There are distinct differences in how the two countries view the proceeds paid to a beneficiary upon the death of a life insurance policyholder. If the insured individual and owner of a policy are the same, there could be estate tax implications. In addition, only certain Canadian life insurance policies will qualify for the purposes of establishing an Irrevocable Life Insurance Trust (ILIT). [A careful review of all life insurance policies should be carried out.](#)
- US estate taxes are set to undergo changes through to 2011. The tax implications would affect worldwide assets of US individuals, and the exclusion limits are expected to decrease from \$3.5 million currently to about \$1 million in 2011. This potential estate tax burden can be reduced or avoided through the use of trusts (US and Canada) and holding corporations (Canada). [It may be appropriate to consider establishing a trust.](#)
- One should review and seek legal professional advice with respect to non-US (Canadian) trusts or family holding companies. For instance, if the beneficiary of a trust has the ability to encroach upon capital, the IRS could deem the trust assets as belonging to the beneficiary. [We can provide access to trusted legal experts for your tax and estate planning needs.](#)

## Returning to Canada

- [The US enacted legislation in 2008 that impacts Green card holders who decide to return to Canada.](#) Those affected Canadians that expatriate from the US must ensure that the appropriate steps are taken in order to avoid being taxed on worldwide assets prior to returning to Canada. Taxes would be applicable on any unrealized gains on property held by a Canadian green card holder (including retirement accounts and Canadian property). [Such individuals should make preparations in advance.](#)
- [Any unrealized gains on your US residence are best realized before leaving the US for Canada.](#) The US does not recognize Canada's principle residence exemption and Canada does not recognize the US \$500,000 Married and Filing Jointly (MFJ) tax exemption on a US personal residence.
- [If you are a member of a 401k / 403b plan and are returning to Canada, before leaving the US establish an IRA into which you can roll your retirement plan assets.](#) If it is deemed prudent to transfer your US pension to Canada, it is difficult to establish an IRA and arrange for a transfer from a 401k plan after you have moved to Canada.
- [In planning for a return to Canada, any company pension and Social Security benefits that you may have accrued need to be reconciled.](#) It may be beneficial and possible to transfer these credits. Depending upon the tax ramifications, in our experience, it is not always the best policy to transfer these earned benefits to Canada. Sometimes these plan benefits can be merged into an "expat promise" package. [Enquire with your company's HR department or contact us for more information.](#)
- If you have a spouse who is a non-Canadian resident, it may be possible to establish an Immigration trust. An I-Trust would enable the non-resident moving to Canada, an opportunity to earn income and capital gains tax free for a period of up to five years.

*If you require copies of any forms indicated in this brochure, or if you have a more detailed question about your specific circumstance, please contact Pacifica Partners at **1.877.576.8908** or [crossborder@pacificapartners.com](mailto:crossborder@pacificapartners.com).*

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