PERREIRA
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CROSS-BORDER RELOCATION

A WORKBOOK

Find out the facts you need to know before you relocate across borders to Canada or the United States.

Not many people are aware of the financial implications of a cross-border move. Yet, it can have a long-term impact on their financial well being.

If you are left to navigate the regulations concerning investing and financial planning yourself, this guide offers some helpful tips and advice to make sure you are aware of some very important factors.

However, it is highly recommended that you speak with a cross-border specialist before relocating to avoid getting caught in a sticky situation.

COMMON ISSUES AND SOLUTIONS

CURRENCY

ISSUE

May take currency hits when moving investment assets cross-border

SOLUTION

Find a cross-border specialist offering portfolio services in Canadian and U.S. dollars

SCATTERED ASSETS

ISSUE

Working with different advisors in different jurisdictions – Lack of cohesive investment policy – Portfolios may not be properly diversified or may be out of balance

SOLUTION

Find a dually-licensed advisor to manage investments on both sides of the Canada/U.S. border to ensure investments are properly diversified and balanced

COMMON ISSUES AND SOLUTIONS

NO PLANNING

ISSUE

No cohesive planning - clients don't know where they are at with their financial goals

SOLUTION

An overarching financial plan taking into account assets on both sides of the border with a focus on retirement income planning strategies

TAX REPORTING

ISSUE

May be holding investments or account types that require additional reporting to the tax authorities

SOLUTION

Structure investment accounts and account types in order to minimize reporting requirements to the tax authorities

AMERICANS
RESIDING IN CANADA

RETIREMENT ACCOUNTS

- Once a U.S. citizen establishes residency in Canada they are often "fired" by their U.S. broker and given 60 days to find a new home for their IRA or receive a cheque for the proceeds (subject to U.S. taxes and potential penalties and fees).

- Cross-border specialists are able to facilitate rollovers to IRA and 401(k) accounts, keeping the funds tax-sheltered and avoiding a taxable event. There is no need to roll an IRA into an RRSP.

- Since RRSP contribution room is based on the previous year's earned Canadian income, an American relocating to Canada cannot contribute to these programs until their second year of residency.

INVESTMENT ACCOUNTS

- U.S. citizens may set up investment accounts in Canadian or U.S. dollars. It is best to structure investment portfolios with individual securities such as stocks, bonds and U.S. ETFs versus mutual funds to simplify tax reporting.

- Canadian Mutual Funds and ETFs are considered "passive foreign investment corporations" by the IRS. This means there is additional reporting required which means additional costs. Some Canadian mutual fund companies issue QEF reports which help with the required reporting.

- If you are repatriating to the U.S., you can transfer the individual stock and bond securities "in kind" – no need to sell holdings.

CANADIANS RESIDING IN THE U.S.

RETIREMENT AND INVESTMENT ACCOUNTS

•With special exemptions, Canadian advisors can manage RRSPs for Canadian clients residing in the U.S. – tax filings are required by IRS.

•Some U.S. states do not recognize the tax treaty and RRSPs are subject to tax on income earned.

•Non-registered investment accounts cannot be held in Canada by Canadians residing in the U.S. unless held with a U.S. registered brokerage firm. These accounts must be managed by a U.S. licensed advisor like Raymond James (USA) Ltd.

•Canadian dollar assets when moved to other U.S. brokers will most often result in currency conversion to U.S. dollars.

CHECKLIST FOR CROSS-BORDER RELOCATION

AMERICANS IN CANADA	CANADIANS IN THE U.S.
IRA – may need to engage a specially licensed brokerage firm that can manage cross-border assets 401(k)s –consider the pros and cons to roll over a 401(k) to an IRA	RRSPs – check to see if the state they are moving to recognizes the Canada/U.S. retirement account tax treaty. If not, may need to restructure investments to be more tax efficient
TFSA – tax sheltered savings accounts – not recognized under Canada/U.S. tax treaty. No tax benefit to hold	TFSA – tax sheltered savings accounts – not recognized under Canada/U.S. tax treaty. No tax benefit to hold
U.S. Investment Accounts – non-residents of the U.S. are not allowed to purchase or reinvest in U.S. mutual funds. Canadian Investment Accounts – Avoid purchase of Canadian mutual funds as this increases tax filing costs and complications	Investment Accounts – Canadian investment accounts must be transferred to a registered U.S. brokerage firm. Structure of investment portfolios important for future mobility. U.S. mutual funds could present issues if you move back to Canada.
RRSPs – can begin to contribute after first year income earned.	Set up IRA and 401(k) accounts.

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Information in this booklet was provided by cross-border specialist Bernardine Perreira from Perreira Wealth Advisory, a broadly resourced, boutique style service for select clients in Canada and the U.S.

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