Gallagher

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Case Study: Tax Planning Solutions for High-Net-Worth Foreign Nationals

Background

- John, 58, and Grace, 53, are Brazilian citizens living in the U.S. They have no intention of remaining permanently in the U.S.
- John recently purchased a home in Florida for the benefit of their two children who intend to permanently reside in the U.S. The home is valued at $3.5 million.
- John has also acquired $5.5 million of additional real estate located in the U.S. for investment purposes.
- John's desire is that, following his death, the Florida home would be passed equally to their children and the remaining U.S. real estate shall pass to Grace.

Issues/Concerns

- The U.S. situs assets are subject to U.S. estate tax at a 40% rate.
- As Grace is not a U.S. citizen, she will not get the benefit of the unlimited marital deduction for any assets she receives from John, subjecting the U.S. real estate holdings to a potential estate tax.
- For any assets passing to his children, John *will not* have the benefit of the $11.58 million lifetime estate tax exclusion amount. ***There is only a $60,000 exclusion available to non-U.S. residents***.

Solution

After discussions with their tax and estate planning advisors, John and Grace decide to include life insurance in their estate plan. They select a protection-focused index universal life policy. **Proceeds from life insurance policy *are not subject to U.S. estate taxes.***

Results/Benefits

- John to buy life insurance policy with guaranteed death benefit of $3.6 million.
- Annual premium to be paid by John is $53,320.
- **At John's passing, $3.6 million is available to offset estate tax liability of $3.6 million.**