

# Complications Of Financial Planning for American Employees Overseas

**In a globalised world where employees have an ever-increasing opportunity for business travel, working abroad has fantastic benefits. As professionals who have taken assignments around the globe, both Barry and I have worked in multiple countries and experienced the excitement, benefits and challenges!**

Clearly for most people, especially Americans where global taxation applies, any expatriate wants to understand how their expatriate status affects tax requirements at home and in their host country.

## US Tax Status – Special Considerations

US connected persons - US citizens, Green Card holders, US residents for tax purposes and those born in the United States fall under US global taxation. Additionally, those born outside of the United States but who have a US parent can potentially be subject to FATCA (2010 Foreign Account Tax Compliance Act).

As a direct result of FATCA, US expatriates now working or living outside of the United States are facing much tougher restrictions with many international financial institutions unwilling to offer many of them services. Those employees aiming to send their salary back to their native bank accounts, face the risk and volatility of the exchange rate, and are increasingly finding that US based brokerage firms are closing their accounts.

Expatriates who do not intend to return back to the US should perhaps consider having their money managed by a firm local to their current location and in a currency more favourable to their immediate circumstance to avoid foreign exchange charges and risks.

## The Need For More Financial Education

Over the years, companies have gone through cycles of providing more and less Financial Education to their employees. A 2014 survey by Aon Hewitt showed that 93% of companies said they were planning to create or expand financial wellness programmes. Awareness of the need and benefits of financial education for individuals is more critical than any other time in history. The landscape for financial planning is changing due to a variety of reasons, some of which include:

- Individuals are expected to take control of their own financial circumstances more and more
- Growing complexity of the financial product landscape
- Anticipated adjustments to government safety nets and erosion of state benefits more generally
- Longer life spans modify the money-lifestyle equation.

It's important for all levels of employees not just expatriates. Why? In part to gain the most from existing company benefit plans but also to help employees become less stressed about their financial health resulting in:

- Increased productivity
- Reduced absenteeism
- Reduced turnover
- Higher engagement and job satisfaction.

## Independent Financial Advice

There is an advice gap that has resulted in many American expatriates unable to seek proper guidance whilst working abroad. Moving to a new country - and all the challenges that can bring - can sometimes be overwhelming. There are a small number of advisers willing to work with Americans and when selecting one the expatriate should consider:

- Does the adviser understand the investment challenges, opportunities and tax implications of investing in both Europe & the US?
- Is the expatriate getting "joined up thinking" on investments and retirement assets in both Europe and the US?
- Can the US adviser help the expatriate manage their European investments and retirement assets if they leave Europe?
- Who is helping them transfer money cost-effectively between countries?
- Does the adviser understand that they can't invest in US mutual funds while they're a resident overseas?

In a Forbes magazine article (2015) the total additional cost benefit of financial advice is around 3% per annum. This was mainly due to the advisers ability to customise the portfolio to the clients appropriate risk outcomes, minimising risks and tax implications and behavioural coaching of the investor, particularly in times of market stress when many investors are inclined to make rash decisions that can end with selling assets at exactly the wrong time.

Companies need to do far more to equip their employees with financial education

and wellness programmes. They also need to focus on specific groups that have specific difficulties, such as Americans where there are specific needs that should be taken into account before and after they move outside the US.



### ROBERT RIGBY-HALL

Robert is President of Beacon Global Group, an integrated set of businesses that support the financial planning needs of Americans living overseas - both while they're overseas and after they return. He has over 30 years of global experience specialising in general management and human resources. He has run businesses and lived and worked in the United States, UK, Europe, and Asia.



### BARRY HONEYMAN

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