

Contents

Acknowledgements	xi
Introduction	xiii
1 CROSSING THE BORDER	
An Introduction to Personal Cross-Border Financial Planning	1
How long can you remain in the United States as a visitor?	2
Crossing the 49th parallel will no longer be easy	6
Where to live or winter in the United States	7
Arizona	8
California	9
Florida	9
Popular cross-border misconceptions	10
What is the Canada-U.S. Tax Treaty?	12
Cross-border Q&A	14
Rules governing U.S. residence	14
U.S. residency has many obligations requiring careful financial planning	16
Sick relative is not enough to justify U.S. visits	16
2 THE VALUE OF A BUCK	
How to Beat the Exchange Rate Blues	18
Eliminating the exchange rate blues	18
Hedging your bets	20
No exchange loss if you convert Canadian dollars now	22
What can you expect if you invest in the United States?	25
Avoiding U.S. income tax on your investments	26
Where is the best place to exchange money?	26
Dealing with foreign exchange brokers	28
3 THE TAXMAN COMETH	
Cross-Border Tax Planning	30
Taxing non-resident aliens	30

THE BORDER GUIDE

Dual citizens and green card holders resident in Canada	32
IRS gives amnesty to U.S. citizens in Canada	33
New U.S. tax legislation concerning expatriation from the United States	36
Non-resident to resident in the United States	37
The Substantial Presence Test	37
The Closer Connection Exception	38
Tax treaty protection for U.S. non-residents and residents	42
Who must file in the United States?	43
How and when to apply for a U.S. Social Security or Tax ID Number	45
Canada and United States income tax comparison	46
Personal exemptions	51
Pensions	51
Mortgage interest and property taxes	52
Provincial and state income taxes	52
Earned interest deductions or deferment	52
Capital gains deductions	52
Medical expenses	53
Registered retirement plans	53
Charitable donations	54
Education plans	54
Stock options	54
Miscellaneous deductions	55
Cross-border Q&A	55
Education plan for a U.S. grandchild	55
Filing for part-time work in the U.S.	56
Choose tax filing wisely	57
Remarriage legalities need attention	58
Filing Closer Connection form saves time, headaches	58
Condo generates taxes on profits	60
Tax-filing strategy could save money	61
Better late than never	62
Does a green card have an expiration date?	63
Avoiding U.S. estate taxes	64
Effects of dual citizenship	65
Canadian citizens versus legal residents	66
Withholding tax compliance on U.S. rental income	67
The long arm of the law	69
Residency for tax purposes	69
Aliens and the 1040NR	70
Sharing the wealth of tax information	71

4 YOU STILL CAN'T TAKE IT WITH YOU

Non-resident Estate Planning	73
The U.S. non-resident estate tax	76
The taxable estate	77
U.S. federal estate tax	78
Unified credit	78
The new Canada-U.S. Tax Treaty estate tax provisions	79
Determining exemptions	80
The double taxation issue	82
How to avoid the U.S. non-resident estate tax	84
Become a U.S. resident	84
Mortgage your U.S. property	84
Joint property ownership with children	85
Have an insurance company pay the tax	86
Establish appropriate trusts	87
Use exempt U.S. investments	87
Use a Canadian holding company	88
Sell your property and rent	89
Individual states estate tax concerns	90
Is your Canadian will valid in the United States?	91
Living trusts: A simple solution to problems with wills	94
Power of attorney: Should you have one?	96
What happens if you die in the United States?	96
What is a gift tax?	98
Cross-border Q&A	99
Have separate power of attorney in the United States	99
Does a living trust satisfy Canada Customs and Revenue Agency?	99
Where there's a will, there's a way	100
Calculating the new treaty exemption	101
Changing title and U.S. tax obligations on Florida property	102
Canadian tax obligations when selling Florida property	103
Single-purpose Canadian holding companies	104

5 DOCTOR IN THE HOUSE

Getting the Most from Out-of-Country Medical Coverage	106
Remaining in the United States more than six months	112
Insurance for Canadians moving to the United States	112
Have your cake and eat it too!	115
What happens if you get sick in the United States?	116
Cross-border Q&A	117

THE BORDER GUIDE

Some can make use of both OHIP and U.S. Medicare	117
Health costs often raise U.S. cost of living	118
Resident aliens may find Medicare problems	119
Resident aliens may need hospital indemnity insurance	120
Snowbird must qualify for the U.S. Social Security, Medicare	121
Does a Canadian spouse receive Medicare?	122

6 TAKE THE MONEY AND RUN

An Investor's Guide to the United States	123
The investment options	124
Certificates of deposit	124
Mutual funds	125
Money market funds	126
Limited partnerships	127
Real estate	127
Specialty funds	128
Specialty portfolios	129
Exempt investments	129
Understanding investment risks	130
The rewards of global investing	132
Choosing an international investment manager	133
Cross-border Q&A	136
Does U.S. law forbid non-resident brokerage accounts?	136
Holding securities in street form and U.S. Treasury notes	137
Specialty funds for non-residents	137
Keeping a Canadian brokerage account as a U.S. resident	139
Can Canadian brokers act for U.S. residents?	139
Transferring accounts and finding a U.S.-based broker	140

7 COMING TO AMERICA

Moving to the United States	142
How to become a legal resident of the United States	142
Immigration categories	144
Green card or employment-based immigrant categories	144
First preference	144
Second preference	145
Third preference	145
Fourth preference	146
Fifth preference	146
Employment-based non-immigrant categories	146

NAFTA professionals	148
Family-based immigrant categories	149
Derivative citizenship: Are you a U.S. citizen?	150
Applying for U.S. citizenship	153
Dual citizenship: Is it possible?	154
The green card lottery	155
Legal retirement in the United States	156
Canadian residents holding green cards	158
Marriage to a U.S. citizen	160
What to do if you are refused entry to the United States	161
Cross-border Q&A	162
Professional Canadian wants to work in the U.S.	162
Plan ahead for cross-border marriage	163
New rules allow green card application as property sells	165
U.S. citizenship is a maternal matter	166
Retirement visa is a U.S. possibility	166
Know U.S. rules for residency change	167
Reclaiming Canadian citizenship is a complicated, lengthy process	169
Green card gone? Start over again	169
Born in the United States, dual citizenship not lost	170
Obtaining a green card	170
Derivative citizenship	171
Hiring an immigration attorney	172
Immigration strategies and the need for financial planning	172
Is U.S. citizenship required for estate tax exemptions?	174
The real deal on dual citizenship	175
Staying on both sides of the border	175
Reasons for being refused entry at the border	177
Banned from the United States	178

8 THE GRASS IS ALWAYS GREENER

Canadian Versus U.S. Taxation Policies	179
Keep more of your CPP/QPP and OAS	180
Interest income: Tax-free, if you wish	182
Pensions: Partially tax-free	184
Employment income	185
Capital gains	186
Dividends	188
Alimony	189
Total income: The real comparison	189

THE BORDER GUIDE

Canadian non-resident withholding tax	193
Withdraw your RRSP tax-free!	196
Eleven key reasons to remove your RRSP from Canada	198
Breaking the lock on locked-in RRSPs	205
Registered Education Savings Plans (RESPs)	207
Tax on exiting Canada	208
Canadian departure checklist	209
Transferring your credit rating to the United States	211
U.S. estate planning	212
Cross-border Q&A	215
Canadian exit procedures	215
Transferring Canadian credit history to the U.S.	216
Marriage to Canadian with an RRSP	217
Keeping a Canadian cottage as a U.S. resident	218
Deferring tax on RRSP under treaty	219
Converting E-2 visa status and holding Canadian RRSPs	220
Making RRSP contributions for the year you leave Canada	221
Recovering withholding tax on Canadian income	224
Should you collapse your Canadian RRSP?	225
Cross-border RRIFs can be tricky business	227
Recovering Canadian non-resident withholding tax	227

9 THERE'S NO PLACE LIKE HOME

Returning Residents	229
Immigration to Canada	230
Giving up your U.S. citizenship or green card	230
Investment gains and income	232
U.S. retirement plans	233
U.S. stock options, bonuses and deferred compensation	235
Retirement Plans from a Canadian employer for Americans in Canada	235
U.S. Social Security	236
Canadian OAS and CPP/QPP	236
Pre-entry trusts	237
Canadian foreign reporting	237
United States to Canada: Your estate plan	238
Medical coverage	240
Deductions lost	241
U.S. departing alien income tax return	242
Canadian pre-entry review	242
Cross-border Q&A	243
Moving back to Canada	243

Green card must be given up	245
Returning Canadian resident loses Homestead Exemption	246
Moving back to Canada: The sequel	247
Tax treaty can reduce withholding on 401k plans	248
10 GIVE MY REGARDS TO WALL STREET	
Investing as a U.S. Resident	249
Investment Priorities	250
1. Objective — Income	251
2. Objective — Growth and Income	252
3. Objective — Growth	253
4. Objective — Aggressive Growth	254
11 SOCIAL SECURITY AND MEDICARE	
The Art of Double Dipping	255
U.S. medical coverage	257
Applying for social security and avoiding the windfall elimination provisions	260
Cross-border Q&A	262
Social security spousal benefit good for cross-border worker	262
Fighting the windfall elimination rules with social security	263
Social security application denied — no 1099 slips	265
Cross-border living can get complicated	266
U.S. move needs forethought	266
Know social security rules	268
Work for U.S. security rules	269
Married and living in the U.S	270
Medicare comes faster through marriage	271
Agreement between Canada and U.S. can work to snowbirds' income advantage	272
Private insurance fills gap until medicare coverage starts	273
Extra work triggers social security for Canadians	274
12 TAKING CARE OF BUSINESS	
How Small-Business Owners Can Reap Huge Rewards	275
A Canadian corporation can assist with U.S. immigration	275
How to take a capital gains tax holiday	276
Tax ramifications of maintaining a Canadian corporation	278

13 IN GOD WE TRUST

Choosing a Cross-Border Planning Professional	281
The team approach	282
Locating a good cross-border professional	283
What about using an accountant?	285
What to expect from cross-border financial planners	287
What does a cross-border financial plan cost?	288
A consumer bill of rights for financial planning	289
Keeping in touch	293
APPENDIX A	
List of Useful Free Publications	295
APPENDIX B	
Provincial and State Tax Rates	297
APPENDIX C	
Canadian Embassy and Consulates in the United States	301
APPENDIX D	
U.S. Embassy and Consulates in Canada	302
APPENDIX E	
Canadian Tax Services and Newsletters in the United States	302
APPENDIX F	
Private Travel Insurance Carriers	303
APPENDIX G	
Immigration Address List	304
APPENDIX H	
Web Sites for Canadian Business and Trade Information	306