BLACK SWAN CAPITAL

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Integrated International Professionals Essential Guide: 10 key things you need to do when you are settled

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Integrated

This guide is to help you take the next steps and make the most out of your international life, whether it is a short term posting or the start of the rest of your life as an international professional. You have been in your new home long enough for it not to feel completely new.

If you are a newly arrived expat, check out our Expatriate Guide looking at things you should do when you arrive in a new country; the Essential Guide for New Arrivals: 12 key items to help you settle quickly in your new international life. It's specifically for those internationals who have recently arrived and captures the vast international experience of our team and our clients. It's a useful shortcut to getting settled in quickly. Read about it **here**.

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1. Revisit your goals

What is important to you when you are leaving your home country and when you are newly arrived in your new home, often changes once you become integrated into your new international existence. We have frequently found that people go through a reassessment process, evaluating their priorities and what they want out of life.

It is a valuable exercise to consciously go through and think about what's important, what you want to achieve and where and how you want to live. We spend a lot of time helping our clients go through this process and aligning it with their financial goals and financial life, often making changes to the goals from their pre-international existence.

If you are feeling more settled and integrated (typically after six months or more), it is a process you should prioritise for yourself. The results we see are typically a more focused, rewarding and happier time for clients.

2. Currency alignment

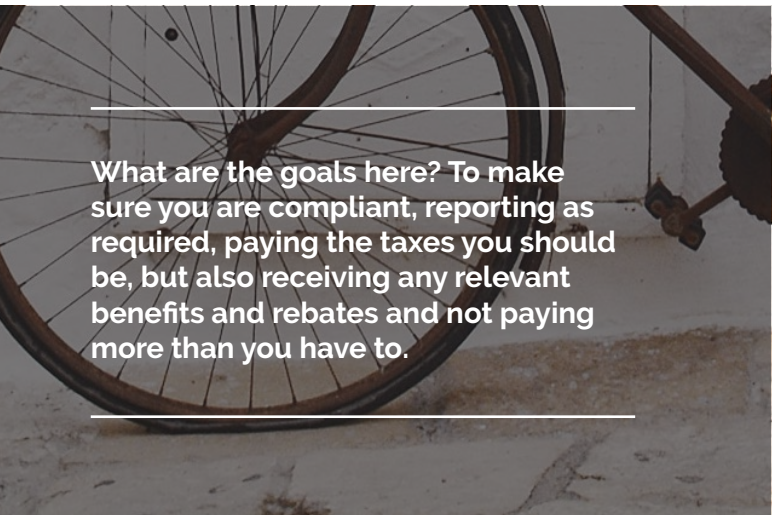
After six months or more in a new country, it is wise to assess your holdings and the impact of currency. A key rule we recommend is to ensure that income and liability expenses are in the same currency as much as possible. You don't want to be earning income in Euros with loan repayments in another currency if you can help it. An unfavourable change in exchange rates can have a large impact on your ability to service a loan. Besides that, holding assets in another currency, with the exception of pensions, which are a different case and are mentioned separately below, should also be assessed.

As with many issues, you need to make an assessment based on your particular situation, as what is right for one person may not be so for the next. The consistency is making the assessment. You should consider your global financial position and the impact of currencies on your situation.

3. Local and international taxes

Not a favourite topic for many people, but in Europe, where income taxes tend to be higher, it is important to be on top of it. We suggest seeking professional tax advice in your country of residence and ideally with someone that is experienced in dealing with expats and internationals like yourself.

With the notable exception of FATCA for US citizens and accidental Americans, which we discuss below, your local expat focused tax adviser should be able to help you with any double taxation treaties and reporting obligations you may have with your home country as well as your current country of residence. Getting this right can potentially save you a significant tax bill.



What are the goals here? To make sure you are compliant, reporting as required, paying the taxes you should be, but also receiving any relevant benefits and rebates and not paying more than you have to.

> If you are not sure if you fall under the broad reaches of the IRS, you can speak with a US tax specialist – contact us first and we can guide you appropriately.

4. FATCA for Americans and other international tax reporting

This is one of the more complex issues facing US-connected expats. If you are a US citizen, or if your spouse is a US citizen, and potentially even if you are not, but have just held a US Green Card, you may have to file a US tax return on your worldwide assets. If you are not sure if you fall under the broad reaches of the IRS, you can speak with a US tax specialist – contact us first and we can guide you appropriately.

It is important to speak with a professional that understands what you need to do and can help make sure you are filing properly. Our clear advice here is be **compliant**.

It is not just tax though. If you are an American or US-connected, you must be very careful about how you manage your money, including where and how you invest. Investments that are compliant and right for other internationals living in Europe, may be considered PFICs by the US government, meaning they are aggressively taxed. This can make them very expensive investments as you will pay tax in your country of residence and in the US at punitive rates. The tax implications of not getting it right can be severe.

If you are American or US-connected, it is very important once you have arrived and settled that you sit down with an independent investment and financial adviser like Black Swan Capital to get everything done right.

5. Assets back home and elsewhere

It is a frequent occurrence that expats tell us they have investments, bank accounts and other assets in their home country and also in other countries where they have lived previously. We will deal with pensions separately in point seven below. International professionals often leave a confusing trail of assets.

Once you are settled and you know you are staying for the medium term, depending on your long-term goals, it is a good idea to put a plan together to tidy these up.

This may relate to the currency alignment point in number three above. If you are scattered across currencies, this will almost certainly include administrative, tax and other jurisdictional issues. We recommend you assess your far-flung assets in the context of your goals, in the context of your current country of residence and where you think you may be heading next.

Generally speaking, minimising administration and jurisdictions can yield savings and can also simplify the ongoing management of your assets. Some clients feel a sense of security through this, which we call false diversification. True diversification can be much better achieved through a well thought out and deliberately implemented investment plan. Make a thorough check on your assets and assess whether it is better for you to bring them together or if not, how to manage them most effectively.

6. Investment plans

Once you have established yourself in your new home, it is important to ensure you are making the most of this new opportunity by ensuring your investment plans are in place, are adjusted for where you are living and are aligned to your medium- and long-term goals.

We have already mentioned the importance of doing this right if you are from the US, but it is important for everyone. Even if you are not US-connected it can still be complex. Following the step of revisiting your goals, this is the implementation component. Take the time to make sure you have the right investment structures in place that meet all your objectives as well as short-notice contingency or emergency needs.

7. Retirement planning

This is a specific and complex area and one that often changes for expats and internationals as they move from one country to another. Internationals may change their goals, the way they want to live in retirement, where and how they want to live and when they want to retire. If these can all be re-articulated, your goals can then be distilled into the amount you require. Then it's a plan for how to get there.

But this plan is made complex by the different pension rules in different countries. If you have pension assets in various countries careful assessment and management of these are integral to you achieving your goals. It is not just about returns, although this is important, it is also about managing your pensions in the right structure, in getting the optimal administrative cost and tax structures in the pension and ensuring you have flexibility in how you access your money in retirement.

The objective is to make the ongoing management of these disparate pension assets simpler, clearer, and more cost-effective with better net returns.

Pensions are complex. Some people will tell you to transfer your pensions from one country to another. In Europe, there are EU-wide pension transferability provisions. But as with many things, just because you can, doesn't mean you necessarily should. Even in the EU, there are different laws in different countries – tax, accessibility, age of access etc. In the UK there is much discussion around pension movements. Our advice is to always speak with someone in the UK who is appropriately qualified. In the US, you can consider the relative benefits of holding your various 401k and equivalent pensions versus IRA accounts.

Our recommendation is to do an audit of all your pension assets. Then spend time with an independent adviser like Black Swan Capital and go through the various options that could help you to align these pensions, so they serve to you and your retirement planning objectives.

8. Residency status

How often have you heard someone say that they came to a country for a two-year position and are still there 15 years later? It happens with surprising frequency.

The question here is around permanent residency. This will in part depend on your citizenship, where you are from and whether you enjoy freedom of movement in Europe.

Expats and internationals in most European countries can apply for permanent residency after five years. Some see this as added security regarding their right to remain in a country, although some immigration professionals will say that just because you can apply doesn't mean you necessarily should.

That also goes with the step after permanent residency, which is citizenship. You can typically apply after seven years, but there are requisites such as being able to speak the local language to a certain level and knowing about the culture and history (there are often citizenship tests).

Equally important, some countries in Europe will allow dual citizenship, meaning you can keep your existing one, whereas others do not. Most expats will agree that giving up one passport to get another is a big deal and will often not want to make that trade-off. There are many aspects to consider once you are settled into your new country and are planning your longer-term options.

9. Language

Most expats will comment that no matter how good the levels of English in the city and country where you are living, in Europe there is a real benefit to be gained, both practically and in terms of engagement in the community, from learning the local language.

Learning a language as an adult can be a bit tough. You have to squeeze it around work and family life. There are a number of classroom options in most major cities as well as a plethora of online options to get you up to speed. And if you do want to consider citizenship in the future you will probably need it, so it is a good idea to get learning sooner.

10. Property

A question we are often asked when clients are feeling more integrated is whether they should buy or rent a property. The answer, of course, is it depends.

Property can be a very good investment, but like all asset classes, its value can potentially go up or down. It is a myth that owning property is always better than renting. Good, impartial advice from an objective professional can make a world of difference to your long-term plans and short-term comfort. Bear in mind that property agents may have an incentive for you to buy, sell or rent and so their advice could be more focused on their job than your ideal outcome.

If you are buying, you must think about whether you will need to sell the property if you move on and how simple and how expensive that might be. The other important consideration is tenancy laws. In most countries in Europe they provide support and security to the tenant. What that means is that many banks that will provide a mortgage will not allow you to rent your property out. It has to be owner-occupied, i.e. you have to live in it yourself. And if you move on, you may have to sell it.

If you have made the decision to buy property, we advise you to speak with a specialist mortgage broker that has experience working with expats and that can ideally help you in your own language.

We trust you will find this guide useful. For more information you can contact us directly here:

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