

## Why US expats should keep US investment accounts



**Blacktower Financial Management**



**BLACKTOWER**  
FINANCIAL MANAGEMENT GROUP

## About Us

The Blacktower Group was formed in 1986 to provide independent wealth management advice and a bespoke service for both individual and corporate clients around the world.

Having celebrated over 35 years in business, our independent financial advisers continually keep pace with the changing needs of our customers, regulations and legislation. They are led by our Chairman, John Westwood, one of the founders of the firm.

In 2000, Blacktower expanded offshore and opened its first office in the Algarve, Portugal, with Blacktower Financial Management (International) Ltd (BFMI) being established shortly after in 2003. Today, the Blacktower Group has offices in Europe, Gibraltar, the UK, the US, Switzerland, Australia, and Cayman and is continuing to expand its regulatory footprint.

The world of investment and financial planning services is complex, even if you are financially aware, and finding the right products is time consuming. That's why we are here. With our knowledge and experience we can potentially save you time, money and bring you peace of mind.

We want to help you work towards your financial aspirations, and strive to realise some dreams. So, we're there for you at all the key moments in your life. We believe our role is to listen and understand your needs. Then we use our experience to find the right products for your circumstances, personal or business, home or abroad.

We guarantee, whatever financial planning services you require, you'll get the same high level of professionalism and attention. We also have Consultants throughout our offices in Europe who as well as speaking English, also speak Spanish, Swedish, Danish, Norwegian, French and Italian.

*“We believe we are renowned globally for our comprehensive wealth management experience, we offer holistic financial planning services tailored to help you secure and enhance your financial wellbeing, no matter your location worldwide.”*

*– John Westwood, Group Chairman*

# Introduction

As a US expatriate living abroad, managing your finances can be challenging, especially when it comes to investment accounts. While it may seem tempting to close your US investment accounts and solely focus on local options, there are several compelling reasons why maintaining your US investment accounts is a wise decision. In this article, we will explore ten key reasons why US expats should consider keeping their US investment accounts.

By maintaining your US investment accounts, you can stay connected to the US financial system. This allows you to leverage the stability and diversity of the American market, which often provides unique investment opportunities and access to top-notch financial services.

Here are our top reasons why US expats should keep their US investment accounts.



# 1. Familiarity And Convenience

If you have spent a significant portion of your life in the US, you likely have an intimate understanding of its financial landscape. Keeping your US investment accounts allows you to leverage this familiarity, making it easier to navigate and make informed investment decisions.

Surprisingly, maintaining your expat investment accounts in the United States while living overseas can be more convenient than opening new accounts in your country of residence. US financial institutions offer online banking and investment capabilities, making it easy to manage accounts, transfer funds, and pay bills from anywhere in the world. This convenience extends to managing different currencies and cash needs.

# 2. Preserving Access To US Retirement Accounts

US expats often have retirement accounts, such as 401(k)s or IRAs, established in the United States. Maintaining these accounts allows you to preserve the tax advantages and growth potential they offer, ensuring a solid financial foundation for your retirement.

One of the primary benefits of US retirement accounts is the tax advantages they provide. Contributions to traditional 401(k)s and traditional IRAs are typically tax-deductible, meaning that the amount contributed reduces your taxable income for the year. This immediate tax benefit can help lower your overall tax liability while allowing your retirement savings to grow tax-deferred until withdrawal.

# 3. Consumer Coverage

The United States provides some financial protections. For example bank financial institutions carry Federal Deposit Insurance Corporation (FDIC) insurance to cover depository accounts, bank money market accounts and certificates of deposit. Deposits are insured up to at least \$250,000 per depositor and per FDIC insured bank. Most US registered broker-dealers are required to be a member of the Securities Investor Protection Corporation (SIPC). SIPC protection is limited to custody of your assets with the broker-dealer and provides protection of \$500,000 for most securities and \$250,000 of cash. The purpose of SIPC is to help protect investors assets when a brokerage firm fails. SIPC coverage in no way protects or insures you against market declines.

# 4. Capitalize on Tax Efficiency

US expats who have established retirement accounts, such as 401(k)s or IRAs, in the United States have a valuable asset that should not be overlooked. These retirement accounts offer numerous advantages that can significantly contribute to a solid financial foundation for your retirement.

Many US investment accounts, such as traditional IRAs and employer-sponsored 401(k)s, provide tax-deferred growth. This means that the investment gains within these accounts are not subject to annual taxation. Instead, taxes are deferred until you make withdrawals in retirement. By keeping these accounts active, you can take advantage of the power of compounding and potentially accumulate a more substantial nest egg for your future, as your investments can grow unencumbered by annual tax liabilities.

## **5. Lower Fees**

Another significant advantage of keeping US investment accounts as a US expat is the potential for lower fees. Holding investments in US accounts often results in fewer investment and account-related fees compared to other markets. The US financial market is known for offering the largest and most liquid selection of investment products, which leads to greater efficiencies and lower costs.

US investment accounts benefit from a competitive landscape of brokerage firms, offering a wide range of investment options at varying fee structures. The US market is known for its low-cost brokerage firms, many of which provide online platforms with discounted commission rates for trades. By leveraging these low-cost options, US expats can significantly reduce their brokerage fees, allowing them to keep more of their investment returns.

## **6. Diversify Investment Portfolio**

Diversification is a crucial strategy in investment management, and maintaining your US investment accounts as a US expat allows you to achieve a well-diversified portfolio. Diversification involves spreading your investments across different markets, asset classes, and currencies to reduce risk and enhance potential returns.

The US financial market is one of the largest and most diverse in the world, offering a wide range of investment opportunities. By maintaining your US investment accounts, you gain access to a broad selection of global markets, including developed economies, emerging markets, and specialized sectors. This enables you to diversify your holdings beyond your host country's local market, reducing your exposure to localized risks.

## **7. Maintain Financial Flexibility**

One significant advantage of keeping your US investment accounts as a US expat is the ability to maintain financial flexibility. Your US investment accounts provide you with a valuable source of liquidity and options when it comes to managing your finances.

Maintaining your US investment accounts as a US expat ensures that you have a reliable and accessible pool of financial resources to meet various needs and seize opportunities. It gives you the flexibility to navigate unexpected expenses, pursue major purchases, take advantage of investment opportunities, and effectively manage your cash flow. By keeping these accounts active, you maintain a level of financial preparedness and adaptability that can contribute to your overall financial well-being.

## **8. Preserve Credit History**

Your credit history in the United States is an essential asset. By keeping your US investment accounts active, you continue to contribute positively to your credit history, which can be beneficial if you ever plan to return to the US or require credit-related services from American institutions.

## 9. Facilitate Estate Planning

Maintaining your US investment accounts as a US expat can greatly facilitate the estate planning process, especially if you intend to leave assets to your loved ones. By consolidating your investments in one jurisdiction, you simplify the legal and administrative aspects of inheritance for your beneficiaries.

By keeping your US investment accounts as a US expat, you simplify the estate planning process for your loved ones. It provides a clear jurisdiction for your assets, allows for a unified estate plan, facilitates the distribution of assets, and can simplify probate proceedings. Moreover, maintaining US investment accounts can create tax planning opportunities and provide asset protection benefits. Working with an experienced estate planning professional is essential to ensure that your investment accounts align with your broader estate planning goals and that your beneficiaries can efficiently navigate the legal and administrative aspects of inheriting your assets.

## 10. Streamline Your Annual Tax Filing

Maintaining investment accounts with US financial institutions is essential for US expats to ensure compliance with US tax laws. As a US citizen, regardless of where you reside and work, you are required to file an annual US tax return. By keeping your investment accounts with US institutions, you can streamline the tax reporting process and meet your obligations for US tax reporting requirements.

By keeping your investment accounts with US financial institutions, you simplify the annual tax filing process. You benefit from familiarity with US tax laws, consolidated tax reporting, access to tax reporting forms, integration with tax software, compliance with foreign account reporting, and the ability to seek assistance from tax professionals. These advantages streamline your tax filing responsibilities and help ensure compliance with US tax laws, providing peace of mind and minimizing the risk of tax-related issues. Remember, tax laws are subject to change, and it's important to stay updated and seek advice from qualified tax professionals who specialize in US tax laws for expats. They can provide personalized guidance based on your specific circumstances, ensuring that you fulfill your tax obligations accurately and efficiently.

## 11. Avoid The PFIC Problem

Investing as a US expat requires careful consideration to avoid falling into the Passive Foreign Investment Company (PFIC) trap. Non-US registered mutual funds are often categorized as PFICs, and investing in them can result in punitive taxation by the United States. By maintaining your US investment accounts, you can mitigate the risk of inadvertently investing in PFICs. It's crucial to note that PFIC rules are complex, and the tax implications can vary based on individual circumstances. The advice of a qualified tax professional who specializes in international taxation and PFIC regulations is essential to ensure compliance and maximize tax efficiency.

By maintaining your US investment accounts, you reduce the risk of inadvertently investing in PFICs and facing adverse tax consequences. You gain access to a wide range of US-based investment options, simplify PFIC reporting requirements, and benefit from the expertise of tax professionals. This approach helps you make informed investment decisions while remaining compliant with US tax laws as a US expat, investing in PFICs and ensure compliance with reporting requirements.

## 12. Plan for Repatriation

While living abroad as a US expat, it's important to plan for the possibility of repatriation, where you may decide to return to the United States. By keeping your US investment accounts active during your time abroad, you can effectively plan for repatriation and seamlessly transition back into the American financial system without the need for complex financial maneuvers.

When planning for repatriation, it is advisable to review your overall financial situation and consult with a financial advisor experienced in cross-border financial planning. They can help assess the specific considerations and provide guidance tailored to your circumstances, ensuring a smooth transition and alignment of your investment strategy with your repatriation goals.

By maintaining your US investment accounts while living abroad, you can proactively plan for repatriation and ensure a seamless return to the American financial system. This approach allows for continuity of financial relationships, preservation of investment structures, avoidance of unnecessary tax implications, access to US financial services, and a familiar transition process. It helps position you for a successful repatriation experience while maintaining financial stability and continuity throughout your expat journey.

## 13. Work With A US Advisory Firm

By maintaining US investment accounts, you can continue to work with a US-based advisory firm. Navigating tax complexities, investment restrictions, and changing regulatory requirements can be challenging as an expat. US-based advisors experienced in assisting Americans living overseas can provide valuable guidance in making tax-compliant decisions related to income, investments, savings, estate planning, and more.

It's important to note that some US banks and brokerage firms have stopped working directly with non-US residents due to compliance concerns with foreign tax laws. However, there are still US brokers that work with American expats through advisory firms like Blacktower.

# Why US Expats Should Keep US Investment Accounts

Keeping US investment accounts as a US expat offers numerous advantages, including streamlined tax filing, avoidance of PFIC issues, convenience, lower fees, financial protections, and access to experienced US-based advisors. By considering these reasons, you can make informed decisions about managing your investments while living abroad.

If you need help opening or maintaining a US investment account as an American living abroad, Blacktower specializes in assisting US expats and cross-border families. They understand the complexities of multi-jurisdiction tax and regulatory regimes and can help develop wealth management strategies. Operating in a fiduciary capacity, they act in your best interests.



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