



MAXIMIZING YOUR LEGACY

AN ESTATE TAX GUIDE FOR FOREIGN NATIONALS
AND THEIR FAMILIES



Maximizing Your Legacy

An Estate Tax Guide for Foreign Nationals and Their Families*

Did You Know?

If you would like to transfer your hard-earned property to your loved ones and you are not a United States (U.S.) citizen or resident alien, you may be exposed to significant U.S. federal estate and gift taxes that can considerably reduce the value of your assets. Life insurance from Transamerica Life Insurance Company ("Transamerica Life") is one effective solution to this issue.¹

What Does This Mean for You?

Foreign Nationals who do not permanently reside in the U.S. and who have assets in the U.S. cannot take advantage of certain tax provisions available to U.S. citizens and resident aliens. Therefore, without proper planning, your estate may owe a large U.S. estate tax bill, which may shrink your estate and reduce the legacy that you're able to leave to your family.

In order to illustrate the impact that U.S. estate taxes can have on your family, consider the case of Mike Chan. He is a Hong Kong national and resident with \$5 million in real estate and other investments in the United States. If Mike does no planning, his family stands to lose over one-third of the value of his estate to estate taxes.

For example, if he dies this year, the estate tax law provides for a 40% top tax rate. The net estate tax due on his \$5 million U.S. estate is \$1,932,800. This means that instead of leaving the entire \$5 million estate to his family, they would only inherit \$3,067,200. U.S. estate taxes will decrease Mike's U.S. estate by almost 40%.

Effect of Federal Estate Tax on Mike's \$5 million estate

Tentative Federal Estate Tax	(\$1,945,800)
Less: Credit	\$13,000
Net Estate Taxes	(\$1,932,800)
Net U.S. Assets	\$3,067,200

Mike's estate will shrink by almost 40%



How Will Your Family and Estate Be Impacted?

In order to help you determine how you will be impacted by U.S. federal estate and gift taxes, answer the following questions by checking the boxes below:

	U.S.	Foreign Country
Where do you own a home?	<input type="checkbox"/>	<input type="checkbox"/>
In which country do you spend the most time?	<input type="checkbox"/>	<input type="checkbox"/>
Where do you work?	<input type="checkbox"/>	<input type="checkbox"/>
Where does the majority of your family reside?	<input type="checkbox"/>	<input type="checkbox"/>
Where do the majority of your friends reside?	<input type="checkbox"/>	<input type="checkbox"/>
In which country do you have permanent residency immigration status (i.e., in U.S., a green card)?	<input type="checkbox"/>	<input type="checkbox"/>
In which country do you currently reside?	<input type="checkbox"/>	<input type="checkbox"/>

* This piece is only authorized for distribution in the U.S.

Mostly Foreign Country Answers

If you answered “Foreign Country” to most of the questions on the previous page, then you may be a Non-Resident Alien. Non-Resident Aliens generally are Foreign Nationals who live permanently in another country; generally, they will only be subject to U.S. transfer tax to the extent that they own assets considered located in the U.S.²

Non-Resident Aliens are only allowed to shelter \$60,000 in U.S. assets from U.S. federal estate tax. If your U.S. assets are worth more than this amount and your family does not have cash to pay these taxes within nine months of your death, your family may be forced to sell your assets in order to generate the cash necessary to pay the tax.

For example, if you are a Non-Resident Alien and you own a home in Los Angeles, California worth \$700,000, \$640,000 will be subject to estate tax upon your death. This would result in a federal estate tax of approximately \$216,800. If your loved ones do not have the cash necessary to pay this bill within nine months of your death, they may be forced to sell the home in order to pay the tax.

In addition, your estate cannot defer payment of estate taxes by transferring the home to your surviving spouse if your surviving spouse is a Foreign National. Instead, any estate taxes due upon the death of the first spouse to die must be paid in cash within nine months of death.

Mostly U.S. Answers

If your answers primarily fell in the U.S. column, then you may possibly be categorized as a Resident Alien. Resident Aliens generally are Foreign Nationals who live in the U.S. permanently with no present intention of leaving. They cannot take advantage of certain tax provisions available to U.S. citizens that minimize exposure to U.S. estate and gift tax.

A married couple consisting of Resident Aliens is limited in the amount of transfers at death that may be made between them on an estate tax-free basis. Any estate taxes due upon the death of the first spouse to die are due within nine months of death. If the surviving spouse does not have the money to pay this bill, he or she may be forced to sell assets in order to generate the cash necessary to pay the tax.

How Can You Maximize What You Leave to Your Loved Ones?

Life insurance from Transamerica Life is an effective way to address the concerns created by U.S. estate and gift taxes. With life insurance, you can:

- Provide your loved ones the immediate cash necessary to pay these taxes, allowing them to keep your hard-earned property in the family.
- Ensure that your family will receive the entire value of your estate—instead of just a fraction.
- Help your family continue to live a comfortable lifestyle by providing funds when they need it the most.
- Enjoy U.S. income tax-deferred growth of policy cash values.

About Transamerica Life Insurance Company

For over 100 years, Transamerica Life, an A+ rated company, has been providing insurance products designed to help families just like yours.^{3,4} While the world has certainly changed, our objective to help families enjoy a more secure financial future has always remained the same.

For more information on how Transamerica Life, legacy planning, and life insurance may be able to help you secure your family's future, please contact your financial or insurance professional.



¹All solicitation and communication (including marketing materials) concerning the sale of the life insurance products, including all telephone, fax, or other electronic or delivered correspondence to a foreign national must take place in the U.S.

²Generally, only a Non-Resident Alien's assets that are considered located in the U.S. will be subject to federal estate tax, including most intangible property, such as stock in a U.S. corporation and interest in a U.S. partnership. However, only a Non-Resident Alien's real or tangible property which is deemed located in the U.S. will be subject to U.S. gift tax. Gifts of intangible property—even if located in the U.S.—will not be subject to gift tax.

³Transamerica Life Insurance Company continues the tradition of service established in 1906, when the original Transamerica life insurance company was founded.

⁴A+ rating by A.M. Best for financial strength as of November 2013. A+ is the second highest of 16 ratings awarded by A.M. Best, a leading independent analyst that evaluates insurance companies' financial strength and ability to meet obligations to policy owners.

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Discussions of the various planning strategies and issues are based on our understanding of the applicable federal tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, this material does not consider the impact of applicable state or foreign laws and regulations upon clients and prospects. Clients should consult with and rely on their own legal and/or tax advisor to determine the consequences, if any, of owning or receiving proceeds from a Transamerica policy.

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Life insurance policies are issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499.

