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INTERNATIONAL ESTATE PLANNING: MANAGING ASSETS ACROSS BORDERS



International Estate Planning: Managing Assets Across Borders

As globalization becomes the norm, more individuals and families acquire assets in multiple countries. Whether it's real estate in another country, a business venture abroad, or foreign investments, owning assets across borders presents unique challenges in estate planning. International estate planning is a technique which ensures that your assets are protected, and efficiently transferred to heirs and that taxes are minimized.

This article highlights some key considerations when managing assets across borders and offers strategies for effective international estate planning.

1. **Understanding jurisdiction and conflict of laws:** When planning for international assets, one of the first hurdles is understanding the legal systems in place. Estate laws vary significantly between countries, and some may follow common law while others may operate under civil law.

Some countries use domicile rather than your residency to determine tax liability or which law apply to your estate. This law can affect how your assets are being taxed or transferred after death.

2. **Estate Tax Considerations:** Estate taxes, inheritance taxes, and gift taxes can vary widely between countries, which makes it crucial to understand the tax implications of passing assets in multiple jurisdictions. Without proper planning, your estate could be subjected to taxation in multiple countries. For example, the U.S. imposes estate tax on worldwide assets for its citizen while other countries might tax assets located within their borders, leading to double taxation.

Also, some countries have estate and gift tax agreement in place to prevent double taxation. These agreements define which country has primary right to tax the estate and provide credits to reduce tax liability.

3. **Creating a will that works internationally:** When dealing with assets in multiple countries, creating an estate plan that complies with the laws of each jurisdiction is critical. It might make sense to create separate wills for different countries and ensure each one adheres to the local law.

Although one needs to be cautious as multiple wills can sometimes lead to unintended consequences. It is also important to clearly name beneficiaries and specific assets in your wills to avoid disputes or confusion among heirs.

4. **Utilizing Trust and Other Legal Tools:** Trust can be effective in international estate planning, providing flexibility, privacy, and tax benefits. It can be used to manage cross-border assets. Many high-net-worth individuals establish offshore trusts in tax-friendly jurisdictions to protect assets from double taxation, forced heirship laws, or political instability.

Also, individuals can use living trust which allows them to transfer assets to trustees who manages them for their beneficiaries. This can bypass probate, making it easier to transfer assets across borders. However, they must ensure that the trust complies with both domestic and international laws.

5. **Consulting International Legal and Tax Advisors:** Given the complexity of international estate planning, it is important to seek legal and tax advice from professionals who specialize in cross-border issues. Talk to experts in the countries

where you hold assets, as well as those familiar with international tax treaties and estate law.

6. **Regularly Review and Update your Estate Plan:** Estate laws and tax regulations are subject to change, both home country and abroad. It is necessary to regularly review your estate plan to ensure that it reflects current laws and accurately represents your wishes. Also, significant life events such as marriage, divorce, the birth of children, or acquiring new assets may require updates to your plan.

Real estate is one of the most common foreign assets and managing it in estate planning presents unique challenges. Different countries have varying ownership law, and some restrict foreign ownership. It is important to research the applicable law and consult legal expert to ensure that your foreign real estate is properly managed in your estate plan

Real estate located in foreign countries may be subjected to local estate or inheritance taxes and structuring ownership through trusts or foreign corporations can sometimes mitigate these taxes. Also, it should be clearly stated in your will if your heirs should inherit the property outright or if it should be sold and the proceeds distributed.

Conclusion:

International estate planning is a complex process that requires coordination of legal, financial, and tax consideration across multiple jurisdictions. By understanding the unique challenges and employing the right strategies, such as utilizing tax treaties, creating multiple wills, and establishing trust. You can ensure that your foreign assets are efficiently managed and passed on to your heirs with minimal complications. Seek professional advice to navigate these challenges and protect your global wealth for future generations.

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