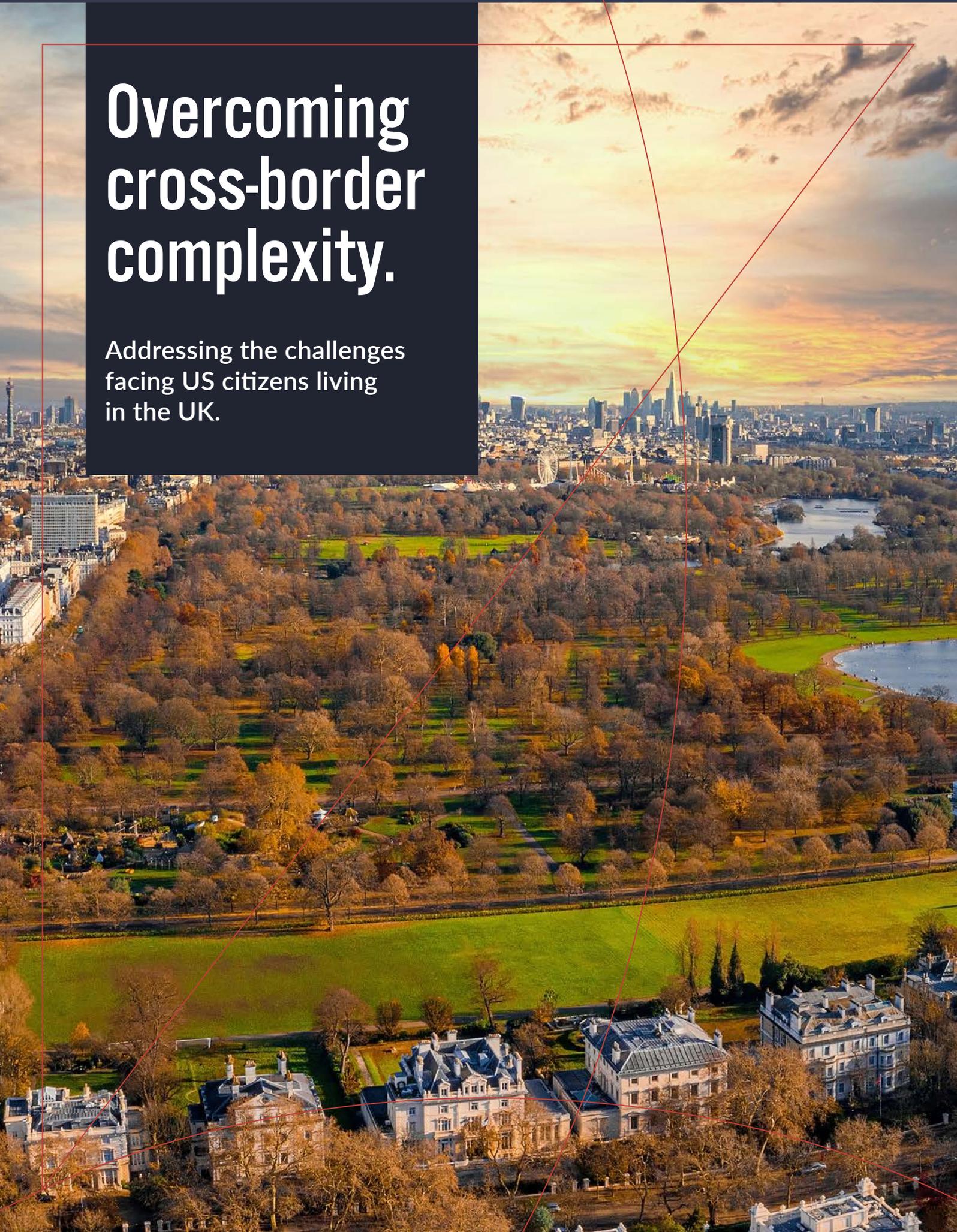


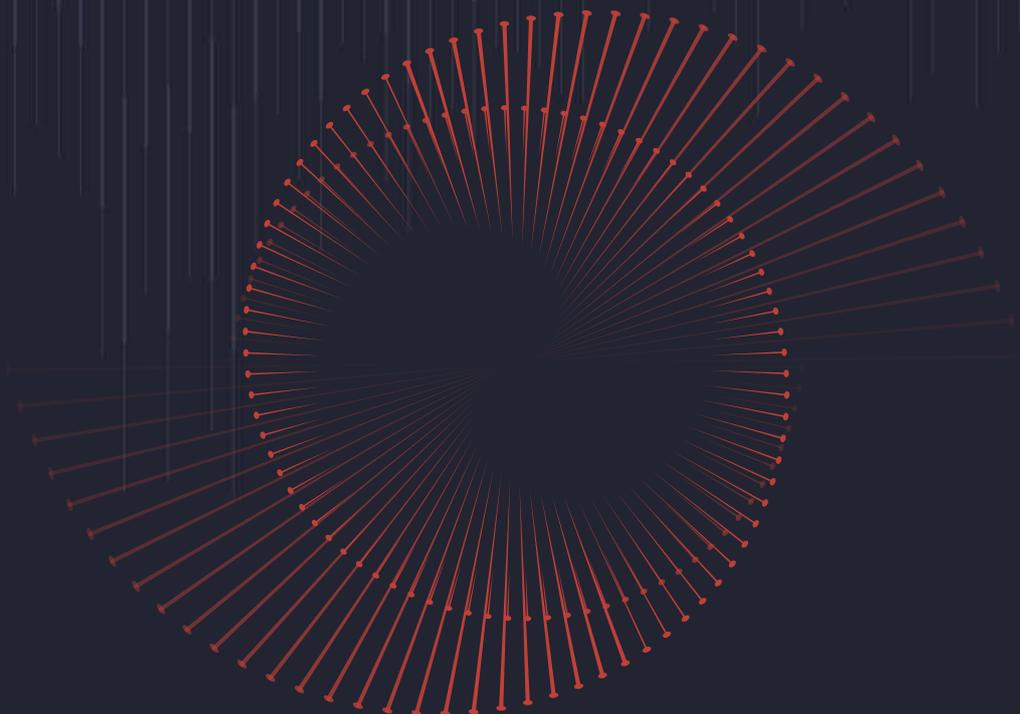
# Overcoming cross-border complexity.

Addressing the challenges  
facing US citizens living  
in the UK.



High net worth US citizens living in the UK face a number of complex challenges when it comes to allocating and investing their assets, from IRS and HMRC dual reporting requirements to conflicting tax considerations.

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**Cross-border  
US expertise is  
hard to come  
by. Fortunately,  
you've found  
your way  
here, as that's  
precisely what  
MASECO offers.**

At MASECO, we maintain a forensic focus on investment strategy, wealth planning and tax implications for US families living in the UK. As multi-jurisdictional market leaders, we provide services tailored to give back time to our US client families, removing unnecessary worry. In short, we make the complex clear.

There is a reason why other financial firms look to MASECO for help servicing their US clients. It's the simple fact that no-one understands the unique issues facing expat American families like we do. It's the reason why we concentrate on mastering multi-jurisdictional wealth management to benefit the US families we serve. Because we know precisely how jurisdictions are complex and ever-changing and require constant vigilance.

Established in 2008, we were the first private wealth firm to have such a singular purpose and we work hard to remain thought leaders to this day.

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# IRS and HMRC Reporting Obligations.

We constantly monitor the reporting landscape, so you don't have to.



# Ensuring you stay on the right side of your reporting requirements



The US taxes the worldwide income and capital gains of all US citizens regardless of where in the world they live.

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The US Bank Secrecy Act states that every US citizen, Green Card holder or resident must file a report of Foreign Bank and Financial Accounts (FBAR) if they have a financial interest in (or signatory authority over) foreign accounts worth (in aggregate) \$10,000 or more on a single day during any one tax year. This includes US beneficiaries of foreign trusts.

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The passing of the Hiring Incentives to Restore Employment (HIRE) Act in the US and its Foreign Account Tax Compliance Act (FATCA) provisions were set up with the explicit aim of tackling offshore tax evasion. The Act requires all Foreign Financial Institutions (FFIs) to report all significant accounts held by US taxpayers to the US Internal Revenue Service (IRS).

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Prior to 6 April 2025, UK resident non-domiciled individuals were allowed to pay tax to HM Revenue & Customs (HMRC) on a remittance basis for their first seven years of tax residency, with an annual levy assessed after being resident for more than seven out of the last nine years but not more than 15 out of the last 20 years to continue paying tax on a remittance basis, or they must declare their income and gains on US (and offshore) assets and pay tax in the UK annually on an arising basis.

From 6 April 2025, individuals who are new arrivals to the UK, or a returning resident who has been non-UK resident for the prior ten tax years are able to exempt foreign income and gains from taxation for their first four tax years of residency. Thereafter, worldwide income and gains are subject to tax in the UK annually on an arising basis.

The majority of our clients living in the UK elect to pay tax on an arising basis anyway and are therefore taxed by the UK on their global portfolios so the changes don't represent a big change for Americans living in the UK.

## Guard against potential tax pitfalls.

Negative tax consequences can be prevented through careful portfolio structuring.



### PFIC

Investing in UK or offshore ETFs, Unit Trusts or OEICs will cause a US taxpayer to fall foul of the IRS's Passive Foreign Investment Company (PFIC) rules.

PFICs will be taxed aggressively by the IRS and all gains may be subject to taxes and penalties of up to 100% of the growth in value of the investment.



### Savings

Utilising UK-based savings arrangements such as ISAs and Offshore Bonds may have unattractive US tax consequences for US citizens resident in the UK.

ISAs do not enjoy a tax free status in the eyes of the IRS and Offshore Bonds are considered PFICs by the IRS.



## Pensions

The way the IRS classifies UK pensions is complex and beyond the scope of this paper. Many UK pensions could be classified in the US as a 'foreign trust'. As a 'foreign trust', growth within a SIPP, for example, would be taxable in the US. Fortunately, the UK has a treaty with the US that may allow the US taxpayer to claim the UK pension plan as a 'foreign pension' and thus the growth in value will be tax deferred. This same provision may also protect the growth in company pension arrangements from becoming taxable in the US.

Additional US trust reporting may arise for individuals. Many US citizens may consider using a Qualifying Recognised Overseas Pension Scheme (QROPS) as a potential pension structure. However, care should be taken as the transfer of assets from a UK pension to an offshore QROPS is usually considered a US taxable event, and the future growth of the QROPS may also not be protected by the valuable treaty protection.



## US Mutual Funds and ETFs

HMRC classifies the growth of most US Mutual Funds and Exchange Traded Funds (ETFs) as Offshore Income Gains (OIG) and the growth is taxed at the individual's marginal income tax rate rather than at capital gains tax rate.

This is because the vast majority are Unregulated Collective Investment Schemes (UCIS) without UK Reporting Fund status. For most wealthy Americans, this would mean being taxed at up to 45% on all gains made on their portfolios.

This can be exacerbated if the foreign exchange rate moves in an unfavourable direction.

The net result is that there can be a much larger gross UK tax liability for Americans who own US Mutual Funds or US based ETFs where Reporting Fund status hasn't been attained.

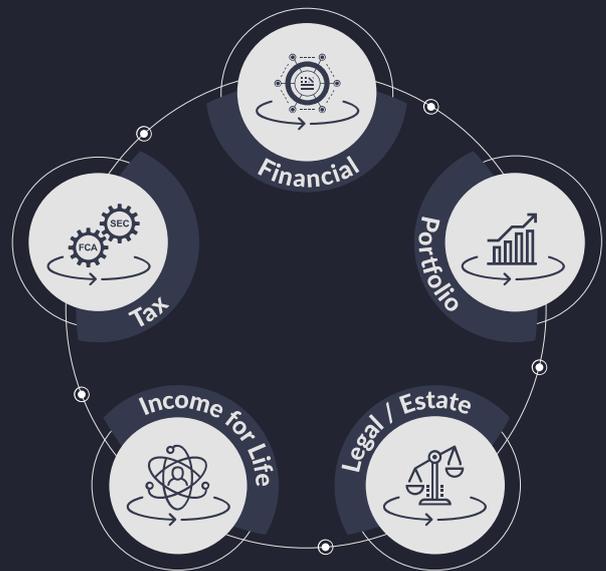
## Align your life with your investments.

We ensure your finances help, not hinder you in realising your life goals.

### See the bigger picture.

It is essential to appreciate that Americans are taxed on a worldwide basis, irrespective of where income or gains arise. This, coupled with the past and upcoming changes to the domiciliary and residency rules in the UK, creates additional challenges for US citizens living and working in the UK.

Your investments need to be risk-managed, currency-sensitive and tax-compliant. Attention should also be given to whether there are any tax-efficient or tax-planning opportunities.



## Your key considerations:

Are any of your current investments US Mutual Funds or ETFs and possibly taxed at income tax levels in the UK?

Are any of your current investments PFICs for US purposes?

Are your US education (529) plans structured appropriately for UK residents?

Have appropriate tax wrappers been used to ensure your long-term liabilities are managed effectively?

Are your foreign tax credits being used effectively?

If you are a couple who are of dual nationality, an understanding of the framework of both tax jurisdictions is vital.

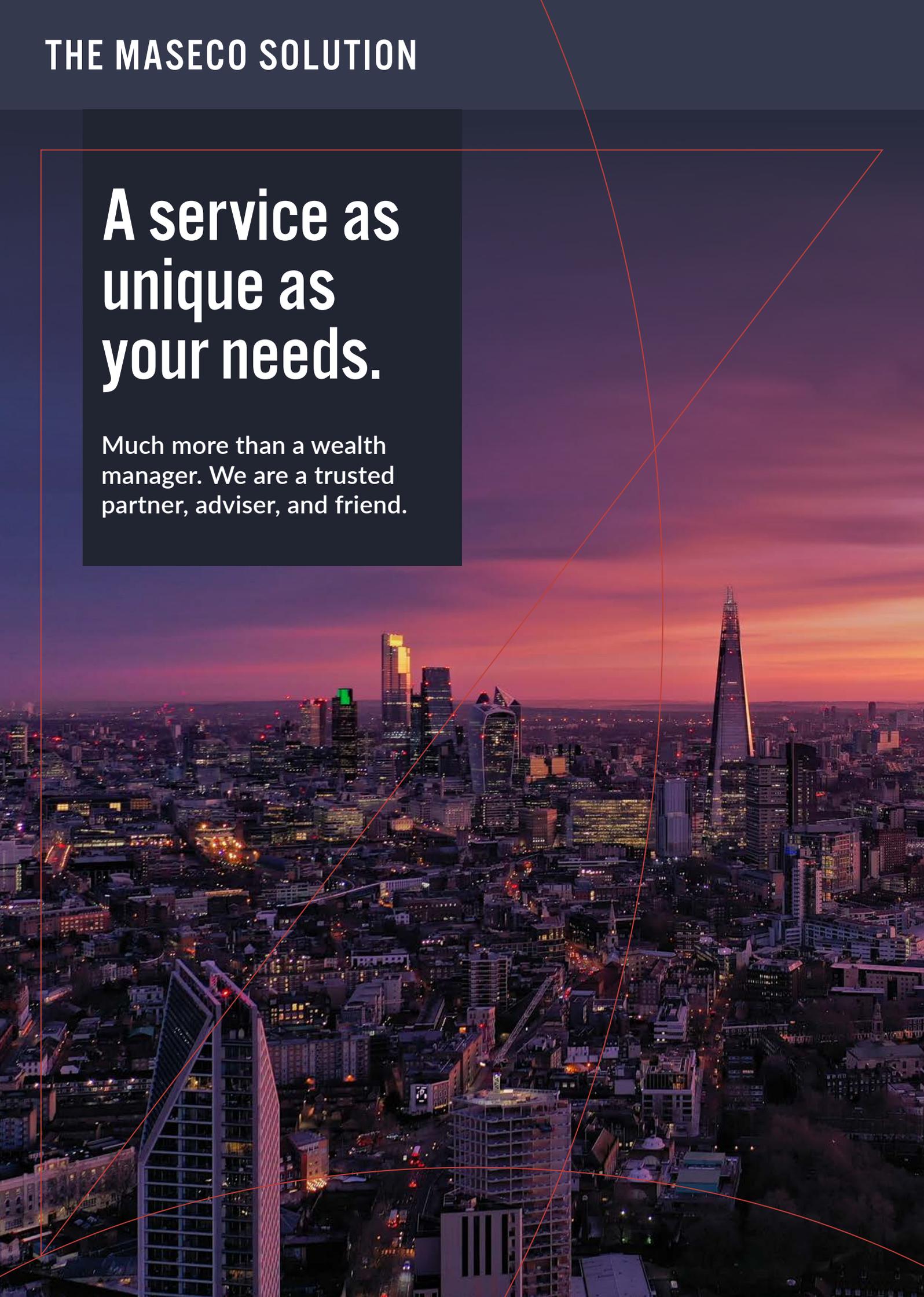
If you are an entrepreneur, careful wealth structuring can result in flexible investment options.

Deep understanding of legacy plans for US families can be of significant benefit when developing your wealth plan.

**THE MASECO SOLUTION**

# A service as unique as your needs.

Much more than a wealth  
manager. We are a trusted  
partner, adviser, and friend.



## Getting good advice

There are many reasons why Americans living in the UK should seek out the advice of an experienced wealth manager who understands their unique circumstances and is authorised and regulated to give advice in the UK and the US.

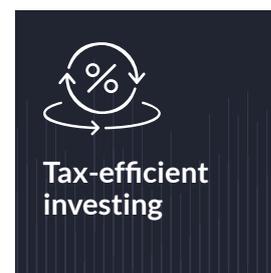
It is virtually impossible for wealth managers to adequately advise US citizens if they are not fully aware of the intricacies of US investment tax law, retirement planning and estate planning.

MASECO is authorised and regulated by the Financial Conduct Authority (FCA) in the UK and by the Securities Exchange Commission (SEC) in the US. Its founding partners and its Head of Advanced Planning each have 20 years or more experience specialising in this complex area.

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## Receiving exceptional service

We provide an integrated wealth management service that encompasses the implementation and ongoing monitoring of US clients who need:



Although MASECO does not provide tax, legal or accounting services, we have a deep understanding of where they fit in the process. When required, we work closely with a network of expert US/UK tax advisers and lawyers. This professional network can help implement the complex tax and legal issues facing US citizens and we are happy to make appropriate introductions for you if required.

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# THE MASECO SOLUTION

## Different? We're worlds apart.

Navigating your wealth  
the way you want takes  
more than a plan – it  
requires a partner.

# Helping you to live your best life

At MASECO, we're focused not only on the basic fundamentals of your financial future, but the building blocks for your family's overall well-being. Others may talk about comprehensive service, but we embody it. In practice, that means for every element of your life that involves wealth, we'll have an insight.

Standing at the nexus of analytical research and immersive wealth planning – we bring vast international experience, unique investment insight and the broadest network of specialists to our US, UK and global client families' lives.

## Wealth Planning



Throughout our journey we have listened to, and worked with, thousands of families to enable them to make choices on how they can live their best life.

We have gathered data and experience and created a three-part program to help your family live a rich and thriving life.

We call it: Best of All Worlds™.

## Investment Management



We employ a scientific and academically driven approach to your portfolio construction.

Bringing together decades of economic research and behavioural finance theory helps us understand the sources of investment returns and drives asset allocation and security selection decisions.



# THE MASECO SOLUTION

At MASECO, we maintain a forensic focus on investment strategy, wealth management and tax implications for US families living in the UK.

## Portfolio management

Our portfolio service includes managing assets within:

- Taxable Accounts
  - SIPPS
  - IRAs – including assistance with consolidating 401K plans
  - 529 Plans
  - Trusts
  - Donor Advised Funds
- 

## US Custody

There are a number of reasons why it may be beneficial for Americans living abroad to invest globally but have their money custodied in the US:

- No FBAR – avoids up to 50% US tax penalties on filing mistakes on non-US based assets.
  - 1099 US Tax reporting – makes life easier.
  - Lower fees – custody and transaction costs are lower in the US.
  - Tax-efficient accounts.
  - US collective investments are typically much cheaper than offshore collective investments.
  - Coverage from the FDIC and the SIPC.
  - Custody is regulated by the SEC.
  - Investments avoid coming under the IRS's Passive Foreign Investment Company (PFIC) rules.
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## Retirement Accounts and Planning

Our What Matters modular approach helps you unearth “What Matters”. No two people are alike and every one of us places a different value on the various aspects of life.

These dimensions include occupational, social, emotional and financial considerations. Unearthing what matters to you and all members of your family will empower you to live your best life.

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## Reporting and Record Keeping

Consolidated reporting in the UK and the US irrespective of where the assets are custodied. This allows for more accurate asset allocation and performance reporting.

GBP tax year activity reporting.

USD calendar year tax reporting.

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## US funds with UK reporting status

For clients who are subject to UK and US taxes, we utilise US funds and ETFs with UK reporting status to ensure tax efficiency. Unlike other US funds without UK reporting status, our selection ensures returns are taxed at Capital Gains Tax (24%) versus Offshore Income Gains (up to 45%). Plus, these funds mean clients may also use their annual CGT allowance against the growth.

Our range is also low cost as we use “Institutional” funds that are typically less expensive when compared to “Retail” funds.



For life's financial complexities, it's reassuring to know you're not alone. If you feel you could benefit from MASECO's experience and expertise, we would be delighted to hear from you.

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MASECO LLP is authorised and regulated by the Financial Conduct Authority for the conduct of investment business in the UK and is registered with the US Securities and Exchange Commission as a Registered Investment Adviser.

MASECO LLP is not a tax adviser and we recommend clients consult their professional tax adviser regarding the tax consequences of any financial planning or investment strategy.

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