MASECO

39 steps to smart living in the UK.

The complete financial virgil for US expats.

39 STEPS

HOW TO USE THIS GUIDE

A guide for newbies, old hands and the curious

Been here forever? Just landed?

Wherever you are in the course of your sojourn on the world's ninth largest island, be sure of this: Your personal finances are top-of-mind for the busy public servants collecting taxes both here and back home.

The consequences of the simplest decisions – how to pay for a new home or buying a mutual fund – can provide hours of work for your accountants, unnecessary surcharges, and a heaping teaspoon of aggravation.

No need to get hacked off. In this guide, we provide an overview of Financial Virgil to help you avoid the many circles of tax hell – and offer a few bon mots on life in Great Britain.

We've created a timeline to help you plan for your future. At different phases of your stay, the rules shift, making expats potentially more vulnerable to new levies. These turning points may seem random. Actually, they are not. Fortunately, you can plan for them – and that is the essence of personal and financial prudence.

If you want to find out what issues loom for you now skip ahead to one of these sections:

The information provided represents our understanding at the current time but will be subject to change in line with regulatory and statutory changes.

Please be forewarned here's what the lawyers need us to state unequivocally: This guide is for informational purposes only. It is not to be taken as advice for your individual needs. Consider this more as a copy chat of a pub, sans pints. For specific questions, please consult with a legal, tax or financial adviser.

YEARS 1–4

Newbie

THE COST OF LIVING

1 **Get used to sticker shock.** London is now rated one of the most expensive cities in the world. The typical 3-bedroom in Fulham – about half an hour from the City – runs more than £1.2 million. That's around $2.55 million. Fulham rentals are equally daunting, averaging £35,000 about $45,000) a year. Welcome to the club.

2 **Become a bookkeeping black belt.** To the price of the privilege of living in His Majesty's Revenue & Customs (HMRC) has not come a free lunch. The International Revenue Service another. You now answer to two masters. Be prepared and you will pocket more than just a receipt. Keep in the first four years of your stay here, for example, all of your bank statements, income and gains and outside the UK. The IRS taxes all income, but the exit is typically taxed. Here's a nice tax break because you've muffled the paperwork.

3 **Savings alert: Beware the surcharge bandersnatch.** Ready to hunt? No ware of accumulating the funds for down payments in the US. The IRS has a nasty little tax on the sale of your home on this side of the pond if you ever paid tax in the UK under the old remittance basis system for any period of residence preceding April 2025 – possibly costing you that lovely nest of dreams in Notting Hill – so understanding what assets have accumulated, and when, may help keep your dream alive!

4 **Fall in love with the Tube.** Generally, home prices tend to drop the further you live from the City. The typical commuter spends around 75 minutes each way as they come in to London from 'the country' to work. Most expats don't go for country living and opt for a central London post code. Either way, budget generously for commuting costs. A monthly London tube pass can cost around $250 versus $132 in New York.

5 **Think before you shut down all your American credit cards.** A US credit history is a terrible thing to waste. If you let all your American credit go dormant for a few years, the credit rating agencies will ding you. You'll want those cards for trips home. Think about getting a local credit card. Your US credit card may be compatible with the European chip-and-PIN system. And here's a piece of advice: If you've use your American credit card to buy a book on your Kindle – but can't avail of while in London – you could potentially be liable for taxes. Technically, you are moving money from the US to buy something here. Technically.

6 **Be careful about falling in love with a British account.** Investing or transferring assets between yourselves can become a tax headache for a bi-national couple. Please consult with an expert.

7 **Heard of Holly Willoughby? Didn't think so.** Around the water cooler, you'll hear about the constellation of gossip and slang. You may be tempted to participate. The Daily Mail online gossip site to learn about presenters and other glitterati on the Thames. You may also find plenty of great websites to help gain fluency in British European football.

8 **Take a look at a map before you arrive.** Your office-mates will have opinions about the best areas of any county outside of Greater London. Speaking of maps, consider picking up the Brit-to-Yanks guides, masters of the fun and funky, or local Ordnance Survey maps, wonderful escorts for scenic walks throughout Great Britain. And you'll enjoy a reprieve from London's notoriously congested streets.

9 **Outsmart traffic in town by renting "Hiring" in the local illegal e-Boris Bike.** Formally known as – but never called – Santander Cycles. If you must drive, grab a Zipcar for just a few hours and avoid costly garage fees.

10 **Subscribe to websites like "Expat Exchange".** Living in Greater London is a good place to start. Your colleagues will be more than where to head to for what to see, where to eat and where to do.

11 **Let us agree, then, to mark Year 1 on your calendar as an important time to plan your investment strategy** (and ensure you understand some of the items outlined in the following sections). We've written this guide to help you save on taxes should you remain in the US more than four years.

We've listened to, and worked with, thousands of families to enable them to make choices on how they can live their best life.

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

We call it **Best of All Worlds**™

Best of All Worlds™

YEARS 5–9

Settling In

INCOME TAXES

12 **High Five… (or is it?** Depending on whether you use national or whether you've been, and both the IRS and HMRC ready to claim a share of the profits your portfolios in the US in Year 5 of your sojourn here, Let this be known forever and hereafter as the 'Arising Basis of Taxation' – the principle that event in which the finger of UK taxation first touches your wallet or your US portfolio, being a brightly and heavily. Welty, the tax code lacks the clarity of the Ring James Bond, and you should take all precautions to protect yourself against the wrath of the all-powerful ones who are not always clear and precise when it comes to understand. The bad news is that the high priest of the HMRC

13 **You've learned how to drive on both the left and right hand sides of the road.** Now you must learn to calculate taxes in both dollars and sterling. The IRS posts specific exchange rates each month and each Canada is another good part of call for foreign exchange rates: be sure to discuss with an expert on how to use these sites.

14 **And now for the Monty Python accounting skit.** The Knights Who Say Nil cannot protect you from FATCA, nor from the taxes the UK will levy on your portfolio (quick "back home" Now that you are a resident and on the so-called 'Arising Basis of Taxation' you US mutual funds you own will come under the scrutiny of the HMRC and subject to punitive income tax rate (aka offshore income gains) to your holdings: the capital gains rate will apply only if the funds have UK reporting status. All current spare you this attack on your gains.

15 **Procrastinators: resist the urge to delay filing UK tax returns until the last minute or you'll lose a tax break.** The deadline is **31 January** the December 31st rather than the January 31st deadline so you can deduct your paid UK taxes from your US returns for the concurrent year. Note: The UK tax year ends in April, which will be challenging for your tax accountant. Work with those who understand the timing difference.

16 **GOOD NEWS: Tax returns in the UK are much simpler than in the US.** A bit like your marriage: short, no-nonsense, to-the-point affairs. Full like your marriage.

INVESTING IN YOUR FUTURE INTELLIGENTLY

17 **Break out the dictionary: Learn the difference between a PFIC, ISA, and SIPP. There are more languages spoken in London than any place on the planet. Time for you to learn a bit of the financial lingo if you want to save efficiently.**

- PFIC stands for Passive Foreign Investment Company, or, in plain English, the foreign version of a mutual fund. Avoid like the plague.
- ISA is the Individual Savings Account. It comes in a child's flavor known as a Junior ISA. An ISA shelters tax-free from a UK perspective and proceeds come out tax-free, though the US authorities look 'inside' ISAs and tax the underlying investments annually.
- SIPP stands for Self-Invested Personal Pension and is similar to a US Individual Retirement Account in the US.

18 **Read our whitepapers on PFICs, SIPPS, and ISAs.** (estimated time: 15 minutes; total) and call us in the morning for details on how these investments work. You can find the papers on our website or call us – we'll put them in the mail.

19 **Start to worry if your financial adviser back home asks if "PFIC" (p-fic) is slang for a British dish.** Expats require informational tax expertise or an innocent mutual fund investment can turn into a tax nightmare.

20 **Did you recently get a letter from HMRC asking you to provide access to view your account?** Americans living abroad have become pernsone of the most targeted by the IRS and new regulations. Nothing personal. It's just that institutions here and back home don't want to get caught hiding tax-dodgers. The paperwork to keep things on the up-and-up is just way too difficult. So goodbye Charlie.

HOUSING (THE REPRISE)

21 **There is no tax deduction for the interest payments on your mortgage in the UK.** And surprise – home ownership rates are currently slightly higher in the UK than the US. (Hilarious!), you can usually deduct the interest on your home abroad from your US returns.) About those mortgage rates: Technically, lenders may offer fixed-rate loans. But they don't. Rates longer than five years are usually more expensive than variable-rate.

HOME AWAY FROM HOME

22 **A few of our favorite playground things:** British bulldogs (lug), cookies, and rugby. Children generally get into the swing of things faster than adults when they might be dispatched to these popular school-yard pastimes.

23 **It's true that Brits are wildly jealous of Americans' dazzling champers.** But the dentists here really aren't that bad. Flying across the Atlantic while nursing a toothache just isn't fun. It's time to chuck your devotion to the dentists and doctors back home.

24 **American vs British schools.** In our view, the British schools offer expats entrée into London society. But the British educational program differs in focus. So if you are really staying for just a few years, the American schools might make the transition back home easier for the kids.

25 **The '11 Week' Preparing for the Next Stage.** Begin to prepare for long-term resident status in year 8 to ensure you take advantage of all tax purposes. Naturally the math on this is anything but straight- forward. The IRS has been very generous to have spent your time over the last 20 years as well as how long you have maintained residence status (also a moving target). Only a tax expert can tell you how long you have been here – just as only Bill Clinton can define the word "is".

Note: Before April 2025, this threshold was reduced to more than 15 out of 20 years.

26 **UK Treasury Mayvern much more onerous inheritance taxes once you are long-term resident. Frequently deemed domiciled under rules in place before April 2025.** Here's one way to get ready for that day: Once your estate crosses £325,000 (about $425,000), you may be liable for UK inheritance tax.

That's 40% on your global assets – UK and US. The US inheritance tax kicks in when your estate is worth over $13.99 million (2025, inflation-adjusted annually). You might want to consider opportunities to structure your assets outside the UK inheritance tax net.

Note: Be careful if only one spouse is long-term resident (for inheritance tax purposes) and the other is not – this could cause all of your assets to become passe- away before the other.

YEARS 10–20

Long-Term Sojourner

TRANSATLANTIC TIES

27 **No sabbatical for the accountants struggling to comply with FATCA, the international fees letter-war between the US and enforced by IRS bureaucrats.** Under the Foreign Account Tax Compliance Act banks are required to report information on the US revenue assets of their American guests. The law, a response to the tax dodgers in Switzerland, was phased in over 2014-2015. You do not want the wrath of the tax authorities visited upon you. Keep good records, do not try to hide assets.

28 **New, wieds, and crack your cheeks! Roger Rbbit!** It's official. You're long-term resident. Let's share on you, you didn't consult an earlier on how to protect your US returns for the concurrent year. Note: The UK tax year ends in April, which will be challenging for your tax accountant. Work with those who understand the timing difference.

29 **Should you give up your American passport?** The ranks of ex-Americans are swelling globally FATCA appears to be a motivating factor. But is FATCA enough to bring you to renounce-hood? Giving up your US passport is not for the faint of heart. Exit taxes can be punitive and worth exceeds $2 million. And on all those trips to the US, you'll join the ranks of foreigners spending ages at border control. You also lose the right of Uncle Sam. Consider the story of power lawyer William Browder – the man who stood up to Putin. Browder renounced his US citizenship in Israel in hopes to be his civil rights battles with Russia once he renounced his citizenship.

DIVORCE

30 **Divorce rates in London are among the highest in the world.** We do hope you won't become part of this statistical database. If you do, however, you will quickly learn London courts function quite differently from those in the US. Are you an American going through divorce? See the following section, 'Planning for a Divorce' in our 'Stepping Stones' whitepaper to help you understand what to expect. Call us for a copy.

SAVINGS & FX

31 **Diversification is your friend.** As you build your nest egg, cast your investing net far and wide. Don't focus so much on whether you use dollars or pound sterling from your paycheck to invest. Surprisingly, that's not your principle risk factor. Rather, it's where the lobbies in your cash accounts (always have emergency funds in the local currency) and in the payment streams you will rely on in retirement. Experts wrestle with this topic. You won't need to. For more information, read our whitepaper on currency risk. It's written in Plain English.

32 **Emma Watson could have saved her parents a lot of money.** But, no, she chose to attend Brown University in Rhode Island. Impressive but expensive! If you're planning on your child experiencing an American university experience, then sock away those dollars now. Depending on the choice of college the cost can be nearly three times more than universities in Great Britain.

33 **Do you see yourself in your golden years sticking back on the runabouter to watch a Graham Norton or Jj Jimmy Fallon?** If you choose "a" – then weight your retirement portfolio to pound sterling. If "b" to dollars. Put another way: Save for retirement in the currency you plan to live in your most often and you won't be checking your smartphone every hour to check on the foreign exchange rate.

34 **Plan for complexity.** You always have complicated affairs. Why? It's all to be with both countries. The family has scattered, gathering from time to time for a summer reunion in Cape Cod and winter-time ski vacation. Your kids are split on whether to go to a UK or US university and their interest in a career in finance could see them settle in Hong Kong. New York or London. Plus, you have some supra-nationals. Meanwhile, your roots are burrowing deeper into British soil. Remember when you said you were staying for just three years? Odds are that your retirement portfolio should be a blend of currencies to take into account the way you really live.

YEARS 20+

Great Unwind

ALWAYS AN AMERICAN

35 **To your kids and the IRS, you'll always be an American.** If you sell your house, the IRS will send you a bill for the capital gain (but, cheers, currently HMRC will not). Plan ahead while there's room on your UK retirement account as tax free funds may be the only possible taxes from Uncle Sam.

36 **What do you want to be when you grow up? Where will you live?** When you head into retirement, the questions you thought you had resolved years ago suddenly crop up again. How do you want to live? Where do you want to be? Is there still one set of rules? It's time to make a new budget. For American expats, this comes with a twist: Will future estate taxes influence where you officially call home? If you only select a place you simply love, taxes be damned! We can't say which choice is right for you, but we can help you understand how the various options affect you.

If you decide to quit Dodge, you'll be your residence for the golden years, you may need to sever some ties here. Unfortunately, HMRC may consider you a UK resident if you hold on to your golf club or gentlemen's club memberships. Pity.

37 **If you stay in London, you'll have a lot of company.** Friends and family will always find a reason to visit. The British Museum is spellbinding; the theatre is brilliant, and it's the only place with really decent umbrella emporiums.

By the way, did you know New York gets more rain than London?

FINALLY! A FINANCIAL GUIDE TO HELP EXPATS

Avoid the many circles of tax hell.

Should you invest in the market with dollars or pound sterling?

Wrong question!

Mission Impossible? This 'tax' tape will self-destruct in 4 years.

Get ready for the UK tax collectors.

T.S. Eliot did it – but does giving up your American passport actually make sense?

Warning: Be careful about falling in love with a British accent.

If your accountant back home doesn't know FATCA from a PFIC, call us immediately.

MASECO

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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