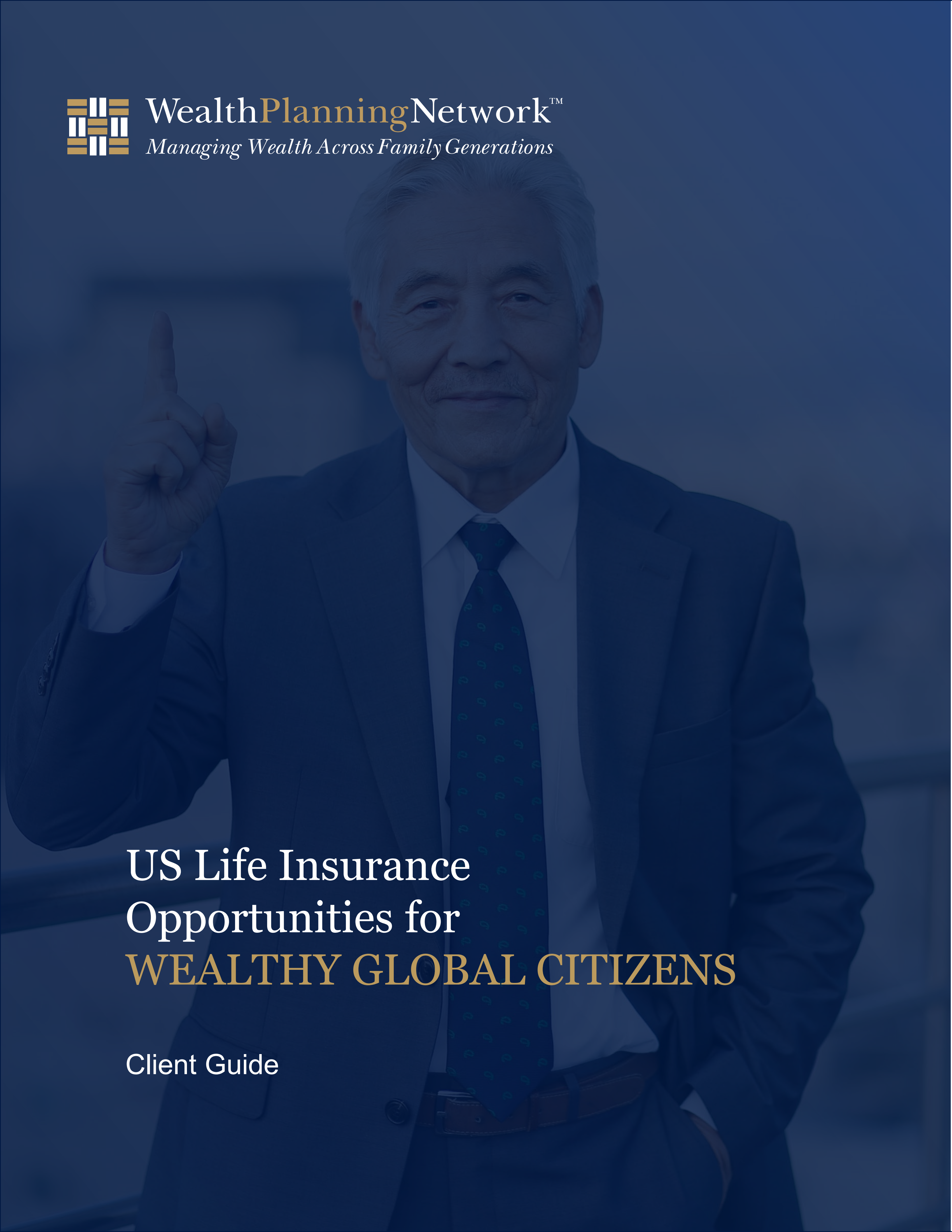

WealthPlanningNetwork™

Managing Wealth Across Family Generations

US Life Insurance Opportunities for WEALTHY GLOBAL CITIZENS

Client Guide

US life insurance policy benefits

In today's global economy, more global citizens have connections to the US — including business, financial and personal interests — and as a result are likely to have unique and complex US estate and tax planning needs. For those high-net-worth individuals who have ties to the US, but are not US citizens or residents, a US life insurance policy may be a helpful option to protect their families and preserve wealth for future generations.

A US life insurance policy can provide several benefits, including:

1. **Estate and wealth preservation** – can help provide protection for loved ones by offering liquidity to cover various debt obligations, including taxes, and overall can help to preserve wealth for generations to come.

2. **Income replacement –** can be used to replace lost income should something happen to the high-income earner.

3. **Funding for business succession plans –** for successful business owners, a properly structured buy-sell plan funded with life insurance can help with business succession needs.

4. **Liquidity for estate tax planning** – depending on your US tax status, you may be subject to significant US estate taxes as well as taxes in your home country of citizenship/residence. A life insurance death benefit can provide needed liquidity to help cover your tax liability. Care should be taken to understand the potential US estate tax exposure you may have — keep reading for more information.

Am I subject to US estate taxes?

The answer to this question depends on whether you are considered a “resident alien” or a “nonresident alien.” A resident alien is defined as an individual who is “domiciled” in the US at the time of death.

The rules for determining domicile are complex, including time spent in the US and abroad; US visa status; and location of friends, family and business interests. A nonresident alien is an individual who is not a US citizen or US national and is not domiciled in the US. It is essential that you work with tax counsel specializing in cross-border planning to help determine your status as either a resident or nonresident alien.

Resident aliens are subject to US estate taxes on their worldwide assets. Please note that there may be an offset to US taxes if estate or gift taxes are paid in a foreign country, depending on specific treaties.

- Resident aliens can also take advantage of certain US estate and gift tax exemptions and exclusions. For example, under the lifetime exemption, a resident alien can give away up to $13,610,000 (in 2024) during life or at death without incurring any US estate or gift tax. They can also gift $18,000 ($36,000 if married) annually to as many individuals as they like without paying any gift taxes. The lifetime exemption and annual exclusion are adjusted for inflation. Resident aliens are subject to estate and gift taxes on worldwide assets.
- Nonresident aliens are only subject to estate tax on property that is a “US situs asset.” They can exempt up to $60,000 of US assets at death without being subject to US estate tax. Due to this low threshold amount (which is not adjusted for inflation), it will be important to discuss with your planning team whether assets you own are likely to be characterized as US situs assets.
- Life insurance is generally not considered US situs property, which means that a nonresident alien can own a US life insurance policy on their life without having the death benefit subject to estate taxes.

Resident alien		Nonresident alien
$13.61 million in 2024*	Estate tax exemption	$60,000
$13.61 million in 2024*	Gift tax exemption	Annual exclusion gifts only ($18,000 in 2024)
US and worldwide property	Property subject to estate tax	US situs property
Yes	Irrevocable Life Insurance Trust (ILIT) needed to exclude death benefit from estate taxes	No

Additional benefits of life insurance

A Life Insurance Policy is an effective way to address US estate and gift tax concerns, and can also help:

- Provide protection and enhance the legacy for your loved ones.
- Provide tax-deferred growth and income tax-free death benefit in the US.

Can I obtain US Life Insurance coverage?

High-net-worth non-US residents with a minimum net worth of $5 million may be eligible to purchase a policy, if all nexus, solicitation, and underwriting requirements are satisfied. Establishing the need for US insurance — which includes substantial financial or physical ties to the US — is fundamental. These cases are reviewed holistically on a case-by-case basis and sufficient nexus includes ties to the US such as owning US real estate or a US sited business, working for a US company, having a US estate tax liability, or having immediate family members residing in the US.

Additionally, you must have an existing US financial presence, including a US bank account. While the extent and nature of your US assets will be taken into consideration, you must have a minimum of $200,000 or 25% of the coverage amount applied for in US assets that are directly titled to you or your US entity. All premiums must come directly from a US bank.

There are additional financial and medical underwriting considerations and other factors that will be evaluated to determine whether coverage is available. The above is not exhaustive. Please contact one of our advisor's who have expertise in this specialized area, and to discuss your options and consider your specific personal situation and planning goals.

Reach out to our team at Wealth Planning Network to learn more.

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This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material.

Trusts should be drafted by an attorney familiar with such matters in order to consider income and estate tax laws (including the generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds. There can be costs associated with drafting a trust.

Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.