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Permanent U.S. residents represent adviser opportunity

Some 12 million strong, they require specialized services

By **Deborah Nason**
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There is a healthy market to be mined in offering financial planning services to this country's 12 million legal permanent residents, but advisers need to master the specialized services called for in working with this segment.

Many of them are professionals — physicians, engineers, professors — and they can be found anywhere.

"Sometimes non-U.S. citizens are [already] part of [advisers'] clientele, and they don't realize it. It should be part of the discovery process," said Laura Brook, director of international relations for the Financial Planning Association of Denver. The organization just launched a comprehensive resource site on the subject, which can be found at fpanet.org/careerpractice/crossborderplanning. "We've been putting additional resources into the topic of cross-border planning over the last couple of years."

Larry Botzman, a certified financial planner in Somerset, Ky., has become something of an expert on financial planning issues facing non-U.S. citizens.

"We have foreign nationals in the area with the [nearby] manufacturers, such as the Toyota plant and its suppliers," he said. Other non-citizens are professors and doctors lured to the area by federal incentives to bring physicians to rural areas.

Mr. Botzman, who has $75 million in assets under advisement, has worked with citizens of many countries, including Egypt, England, Poland, Australia, Bolivia, Canada, Germany, France, the Philippines, Iran and Iraq. "Don't assume the guy in front of you is not a foreign citizen. It's not a question of profiling," Mr. Botzman said.

It's important to determine whether the client is a non-resident alien or a resident alien, pointed out Glenn Hottin, a certified financial planner with M & H Advisors LLC in New Haven, Conn., who has worked with several clients who are non-U.S. citizens. He manages $35 million in assets.

"A resident alien is taxed just like a U.S. citizen," Mr. Hottin said.

But for estate-planning purposes, resident aliens are treated quite unlike U.S. citizens. "In terms of asset transfer and protection, they are limited in what they can pass," Mr. Hottin said.

"For example, in the case of a married couple, estate tax is due at the first death; there is no unlimited passing of assets to the spouse. It opens up a need and opportunity to take advantage of various types of trusts. And it highlights the need for the adviser to have a relationship with an estate attorney with international experience."

"It is ironic, in fact, that many foreigners invest in the U.S. in order to escape what they feel are unfair or excessive taxation and then find that they are severely taxed in the U.S. when they pass away. In addition, estate tax can be as high as 45%," said Raoul Rodríguez-Walters, a fee-only certified financial planner based in San Miguel de Allende, Mexico. He specializes in cross-border planning for Mexican nationals.

"[Non-citizenship status] touches every part of your life," said Dale Walters, a certified financial planner with Keats Connelly & Associates Inc., a fee-only firm based in Phoenix that has $215 million in assets under advisement. The firm focuses on Canadians living in the United States.

Mr. Walters listed some of the many issues foreign nationals must address, including:

• Whether to leave retirement accounts in the home country or bring them here.

• Qualifying for Social Security or Medicare.

• Filing U.S. tax returns.

• Establishing credit history in this country.

• Whether their immigration status is being managed correctly.

• Handling the currency risk connected to a foreign pension.

Anja Luesink, a fee-only certified financial planner in New York who specializes in working with non-U.S. citizens, cited more issues to watch out for when dealing with foreign nationals.

For example, if they own foreign property, do they pay foreign real estate tax? Do they need to pay for health insurance? Must they travel back and forth to maintain their immigration status? Who, and in which country, is the executor of their estate? Do they have an American will?

"Advisers must educate themselves on the Patriot Law, U.S. working visas, mortgage guidelines and insurance to foreign nationals, and more to be successful [with non-U.S.-citizen clients]," said Amir Mushkat, a financial planner with Rockville, Md.-based Shkedia Financial Services, which focuses on Israeli companies and individuals.

"Foreign nationals love to speak with advisers in their native language — this is the key to success," he said.

There is a strong unmet demand, said Ms. Luesink. The Dutch citizen, a longtime U.S. resident, found it difficult to find a financial adviser for her situation. "I didn't know who to go to or who to trust. So I started to take classes to learn on my own, and eventually, I decided to become a financial planner."