

Life Insurance Needs For Foreign Nationals

POST WRITTEN BY

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We've all heard stories about the number of students in top-tier universities, medical programs and law schools flooding in from other countries to take advantage of our education system. Along with these tales also comes the idea that many of these students are living in multi-million dollar apartments in cities such as New York or Los Angeles, making their property taxable under U.S. law. But these students aren't making their own six-figure (or more) salaries just yet. In most cases, it's their parents -- high net-worth (HNW) foreign nationals -- who are footing the impressive bills.

So, how do the needs of these foreign nationals factor in for finance professionals? Many legal and tax experts have been recommending U.S.-based life insurance to these HNW individuals, and for good reasons.

U.S. demographics have been rapidly changing for decades, and Pew Research [estimates](#) that immigrants will be major drivers of growth among the working-age population through at least the next 18 years. Meanwhile, the health of financial markets makes the U.S. [attractive](#) to foreign investors -- especially as many foreign currencies are facing major devaluation.



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Life insurance is particularly enticing for HNW foreign nationals because of tax advantages, but just like any other individuals, these men and women are also looking to secure legacies for future generations. Legacy planning, estate planning and tax planning are just a few of the ways that life insurance can be used by HNW foreign nationals.

Before offering U.S.-based life insurance for a client who is a foreign national, there are a few basic questions that must be answered: Is the individual a [resident alien](#) or a [non-resident alien](#), and is the individual married to a U.S. citizen? This will determine his or her tax obligations.

It's important to keep in mind that even non-resident aliens can be exposed to federal estate and gift taxes if they own property in the U.S. Under current [tax law](#), these foreign nationals can shelter up to \$60,000 in assets from federal taxes. Estate tax rates currently top out at 40%, and these individuals can receive a [credit](#) of just \$13,000, per I.R.C. §§ 2102(c) and 2001(c)(1).

Given these potential tax burdens, our firm and others like us are finding the need for high net worth foreign nationals to seek financial planning and life insurance, as well as tax professionals to assist them in their planning. While leaving a legacy is important to foreign nationals, there is a potential tax burden that needs to be addressed and life insurance is one of the best financial instruments to do so in these situations.

Life insurance can provide clients with a tax-free death benefit, assist in planning for U.S. estate and gift taxes, build cash value tax-free in most policies and even provide a tax-free stream of income for retirement. Life insurance is also an excellent financial instrument used for legacy planning allowing an earner to leave a legacy for his or her heirs.

The potential benefits available to HNW foreign nationals using life insurance are many but clients should always consult with their own professional CPA and legal advisors before completing their planning.

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