

# Pre-Expatriation: How Charitable Planning Can Play a Role

## Client

A non-US citizen couple—co-founders of a privately held US cosmetics company that planned to go public in 12–18 months—had a stake worth \$250 million with a zero basis. Both husband and wife were permanent residents in the US for five years and their two minor children were both US citizens.

## Planning

- Our Wealth Strategies and Global Families teams illustrated the potential tax savings achieved through a planned move back to the clients' home, where they would be eligible for a 10-year income tax holiday.
- Working with the clients' attorneys both in the US and in their country of origin, we modeled both the costs and savings of remaining in the US long term versus giving up permanent resident status before becoming long-term US green card holders.
- After suggesting a complementary charitable strategy that would defer the US income tax to a time when the couple would enjoy their tax holiday, we quantified the overall economic benefit of making the donation. We demonstrated that making a charitable gift of the remainder interest in a Charitable Remainder Trust would result in tax savings that meaningfully exceeded the gift to charity.
- Seeing the incremental economic benefit, the client decided to implement the charitable strategy before giving up their permanent resident status.

## Investments

- Given the impending change in their tax status, their portfolio was invested in a relatively liquid manner to facilitate shifting their investments from the US platform to our Luxembourg platform once they were no longer US taxpayers.
- While they were US taxpayers, investments were made in tax-efficient vehicles with sensitivity to US, state, and local taxes.
- Once the clients surrendered their US green cards, their investments were shifted to more growth-oriented tax inefficient investments for the duration of the 10-year tax holiday they would enjoy in their new home.

## Outcome

Working collaboratively with the clients' attorneys and accountants, and with the help of our planning and modeling capabilities:

- Multiple options were considered and brought to life;
- The value of charitable giving was quantified; and
- The client gained the confidence to implement an effective pre-expatriation planning strategy while working with the same advisory team throughout.

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