



The World First
need-to-know guide to
moving to the US

USA, USA, USA!



Here's David Trumper,
content editor at **World First**,
on the start of your American dream.

So, you're planning on making your American dream a reality? Well, whether you're dreaming of the Sunshine State of Florida, the Hospitality State of Mississippi, the Bluegrass State of Kentucky or even the Peach State of Georgia, you're in the right place.

There's no doubt that moving abroad can be pretty exciting, but, equally, it won't necessarily be an altogether smooth process, and it's unlikely that absolutely everything will go to plan. There will also be questions that you'll want answering – how long will it take, how does it work, how much will it cost?

Well, with questions come answers, and that's where this guide comes in.

We've been talking to some people who know exactly what it takes to move to the US. In this guide, you'll hear from a tax expert, property experts, an economist and a currency expert.

The following pages are packed with useful information – perfect to help you on your way to your dream home in America.

So put your feet up, grab a slice of pumpkin pie and a strong cup of cwoffee, and dive into our guide. I really hope it brings you one step closer to the good ol' U S of A.



The tax expert

Tax expert **Adam Smith** outlines the tax implications for those thinking of moving to the US.

First things first, a rundown of the tax implications to be aware of when moving to the US...

The United States is almost unique in that taxes are imposed on its citizens on their worldwide income regardless of whether or not they are actually resident in the US.

They also take this approach to any non-US citizens who are resident in the US, and therefore while you are considered a resident in the US you are taxed on your worldwide income (i.e. taxed on all income, regardless of where that income is earned). You are, however, allowed to offset your US liability by taking a credit for any foreign taxes that you have paid.

Taxpayers are required to file annual tax returns (even if no tax is due) and self-assess their tax. Tax may be withheld from payments of income (e.g. withholding of tax from wages). To the extent taxes are not covered by withholdings, taxpayers may make estimated tax payments which are generally made quarterly. Tax returns can also be filed jointly for married taxpayers and those filing jointly do get some beneficial tax rates.

The United States is a federal republic with autonomous state and local governments and you can potentially be taxed at each of these levels.

How much tax can expats expect to pay?

There are different levels of taxation in the US:

Federal

Individuals are subject to graduated tax rates from 10% to 39.6% on their gross income, less certain deductions and exemptions. In 2015, for a taxpayer filing a separate return, the 39.6% tax rate only kicks in when taxable income exceeds \$413,200.

There are separate beneficial tax rates for certain types of investment income (largely 'qualified' dividends and capital gains tax on investments held for more than one year).

State and Local

Most states and many localities impose income taxes on individuals who are living in that state (there are seven states with no income tax including Florida, Texas and Nevada). The rate of tax varies state by state

and may be fixed or graduated. It is worth looking at the rules for each state before moving as they do vary considerably from state to state, but as an example if you live and work in New York City then you would pay approximately an additional 4% to 9% tax to New York state and 3% to 4% to New York City depending on your level of income.

Any tax credits expats might be able to benefit from?

As mentioned earlier, individuals who are resident in the US are subject to tax on their worldwide income and so potentially there could be a problem with double tax. This is generally alleviated by taking a foreign tax credit in the US for any non US taxes that have already been paid on that income. However, there may still be some residual US tax to pay if the foreign tax paid is less than the US tax imposed on that income.

There are a wide variety of other credits that are available such a child tax credit, some education credits and an earned income credit for low income wage earners.

Final pieces of advice

One thing that often catches out UK citizens based in the US is the taxation of the sale of your principal residence in the UK. Whilst this is very likely to be exempt from tax in the UK, it could well be taxable in the US. The rules around this are quite complex and we would recommend taking some tax advice before the sale to ensure that you are aware of the rules and don't get an unexpected tax bill.

Generally US tax law is incredibly complex and is not often something expats are able to do themselves, especially when dealing with the interaction between the US & UK tax systems. It would certainly be worth finding a tax preparer who is cognisant in expat tax to ensure you are fully compliant and are paying the correct amount of tax to all relevant jurisdictions.

Adam Smith is a partner at Westleton Drake, a firm of US and UK tax advisors which, amongst other things, can help with the UK and US tax affairs of expats.



The realtor*

Florida realtor Laura Kijner explains some of the things to consider when you're thinking about moving to the U.S.

In the U.S., every state has different rules and regulations, so make sure the information you get is relevant to you.

Usually, people that have successfully moved to the U.S. have conducted their due diligences – they've gone to visit, they know the area, maybe they've been there for ten years for a month every year. But moving to the U.S. can be a long process! A lot of people don't realise that getting the proper visa or even a green card is not an easy task.

Ask yourself the right questions

Do you have everything you need to facilitate your move and make it happen? Do you have a U.S. bank account? Do you have all the necessary funds available for an investment? How about currency conversion? Are you a cash buyer? If you need a loan, it's probably best to check with your financial institution at home since, as a foreigner, you are unlikely to have collateral or a credit history in the U.S. You need to be ready, willing and able! And to be so, takes preparation.

Get to know the place and its people

Make sure it's right for you and your family. Adapting to a new culture and environment takes time. You need to see yourself working and living there for the foreseeable future. If you are moving with your kids, you will need to think about schools and later colleges. Even to run the simplest errand, you are most likely to drive your car around. Do you have a driving license? Are you fine with driving at least an hour a day? Make sure you find a property in a neighbourhood you like, that is safe and convenient, a place where you can easily commute to and from work.

Drive, walk around, check various neighbourhoods, talk to some agents, talk to fellow expats who have moved to the U.S. and who will give you honest feedbacks, talk to an attorney, a wealth manager and a CPA about what's involved – it's about just getting that information.

“ You need to be ready, willing and able! And to be so, takes preparation. ”

See a house you like? Go for it, whoever you're signed up with

In the U.S., all real estate agents, with no exception, have the same access to the available properties in their market with the exact same conditions. As members of the Miami Association of Realtors, we offer access to the MLS (Multiple Listing System), where brokers share information on properties they have listed and invite other brokers to cooperate in their sale in exchange for compensation if they produce the buyer. Sellers benefit by increased exposure to their property. Buyers benefit because they can obtain information about all MLS-listed properties while working with only one broker.

The purchase of the property is the last thing we would take care of. You're not going to put your trousers on when you've already put on your socks and your shoes!

Do things in the right order. If you are not ready to take the plunge yet, you can always sign up for listing alert emails on a realtors' website - [like this one](#). By signing up to alerts like this, you'll get a good picture of a place's real estate market – in this case, Miami – from prices to inventory and you will be able to monitor the changes over time. What you see today might not be available six months from now when you are actually ready to buy. Be informed!

Kijner & Sons International Realty is an international brokerage and consultancy firm with offices around the world. As licensed real estate specialists in Miami with Fortune International Realty, they specialise in investment opportunities and income producing properties in South Florida.

* That's an estate agent in American!



The real estate expert

Chaim Gleitmann, a real estate consultant based in Florida, explains the nuts and bolts of the property buying process in the US.

A bit about the process

Once a property has been identified by the client, a contract for purchase will be formed with purchase price and terms and conditions, and presented by the Buyer's Agent to the Seller Agent.

Usually at the offering, a down payment of between 5% and 10% of the purchase amount is given which is held by an escrow agent – a neutral third party – until the offer is accepted, or will be refunded if the offer is declined.

Once the offer has been submitted, it usually takes no more than 24 hours to come to a decision. When the offer has been accepted, the final closing and transfer of the property to the new owner will be after 30 to 45 days once all inspection has been satisfactory concluded and no problems detected.

Cash sales take some less time to finalise. Properties purchased with a loan will take longer. Usually, those buying from overseas can purchase properties with 40% - 45% as down payment. It all depends on your credit status, bank criteria and requirements.

Start searching online!

The United States real estate market is divided in multiple real estate associations nationwide with their own centralised listing system. For the whole United States, listings can be found at:

www.realtor.com.

Restrictions, taxes and other important stuff

There are no restrictions on foreign buyers purchasing and holding any kind of US properties, whether residential or commercial.

The purchaser should be aware that if they decide to sell the property at a further point, there is what's called a withholding tax – a government requirement for the payer of an item of income to withhold or deduct tax from the payment – of 10% for properties costing more than \$300,000.

Generally, a foreign person is not subject to U.S. capital gains tax on the sale of capital assets located in the US. The Foreign Investment in Real Property Tax Act (FIRPTA), however, created an exception to that rule for US-based real estate. Under FIRPTA, a foreign person's gain on the sale of US real property is treated as income, and as such is subject to regular U.S. income tax rates.

As such, if the U.S. real property is held by a foreign individual, qualifies as a capital asset, and was held for at least one year, any gain will be subject to the lower capital gains tax rates. And, if the property is held by a foreign corporation, the corporation will be subject to regular income tax plus the branch-profits tax.

It is recommended to engage an US CPA (Certified Public Accountant) to establish any tax related situation. It is also recommended to hire a Certified International Property Specialist (CIPS) as a Realtor who can guide and educate with the purchase of properties in the United States. Realtors are usually paid by the selling side of the transaction after a successful transaction has been concluded. There is no cost to the buyer.

Chaim Gleitmann is a Realtor Consultant with Xena Vallone Realty.

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Get the best exchange rate and save thousands

GBP to USD exchange rate



You may be surprised how quickly the rates can change, so it makes sense to be aware.

When you agree what you're going to pay for the property, and factored in all the extra fees, the amount you'll actually pay will depend on what you get for your money once it's been converted into dollars. So, taking the time to find the best exchange rate and avoiding fees when making your international payments can help you save thousands.

And another thing, you may be surprised how quickly the rates can change, so it makes sense to be aware.

Currency ups and downs make a huge difference

When transferring money to pay for the property, deposit, mortgage or to move your pension across, fluctuating exchange rates could be worth thousands. As you can see from the graph, the pound has moved

a lot against the US dollar in the year to August 2015. At the start of August 2014, a GBPUSD rate of 1.70 meant that for £500,000, you could get a home worth \$850,000. Fast forward a year and that same amount of money would get you a property worth around \$775,000 – that's a difference of \$75,000 in the space of one year just because of the exchange rates. Then again, buying at the start of August 2015 would mean you still get a better exchange rate than you'd have got in April. It just goes to show that rates can move quickly and unpredictably.

To make sure you don't lose out on the exchange rate or unnecessary fees when making your international transfers, consider using a specialist currency broker like World First. There is also the option to fix an exchange rate in advance so you know what you'll pay – we'll explain this in more detail later in the guide.



The currency specialist



If you're looking to buy a property in the US, you could be surprised how much you could save – or lose – through the exchange rates, according to currency expert **Jennifer Bird.**

Buying in the USA is a big deal. Don't let your American dream become a nightmare by losing control of your finances. By getting them straight from the start, and getting yourself in a position where you know exactly what funds you have, you won't get any nasty surprises.

One way of making sure there aren't any shocks is by looking at the exchange rate and making sure that you won't end up paying more than you've budgeted for. For example, if you're buying a property in the US worth \$1,000,000, a 2% shift in the currency rate is worth \$20,000 – a huge amount to lose just through fluctuating exchange rates.

The last thing you want is to be stung by uncompetitive exchange rates or hidden fees, so it's always a good idea to use a currency specialist who will take the time to understand your requirements, provide options that suit your needs and who will be on hand to help you through the process of paying for your property.

“ With the banks, you could end up paying much more – sometimes 2, 3 or even 4% – through inferior exchange rates. ”

Fixing today for a purchase tomorrow

If you're buying a property in the US, and the exchange rate is in your favour right now, but you don't need to pay the balance for another three months, there is a way you can benefit from today's favourable rates for a payment in three months' time.

Using what's known as a forward contract, you can secure that exchange rate now and know exactly how much you'll pay for the property when it's time to settle the balance. It won't matter what the market does in the meantime, as your agreed rate is safe.

It's also possible to set up regular payments so that monthly international expenses, like the mortgage, are paid every month without you having to do a thing. Again, you can fix an exchange rate and know what you'll pay every time.

We work with many people that previously used their bank to transfer money – that's before they discovered that there are different ways of doing it that could save them money. With the banks, you could end up paying much more – sometimes 2, 3 or even 4% – through inferior exchange rates. So that's why now, they use us instead!

Jennifer Bird is the head of the private client desk at currency specialist **World First, who help clients save money when they transfer money to pay for property overseas.**

Useful Links

World First – currency transfers

www.worldfirst.com

The Money Advice Service

www.moneyadvice.org.uk/en/articles/using-a-money-transfer-firm-to-send-money-overseas



The economist



The US housing market is looking resilient but higher interest rates means less favourable mortgages, according to economist [Jeremy Cook](#).

In the past century, at various points, the US economy has held the title of the world's largest manufacturer, exporter, importer and consumer, as well as the world's most valuable stock market. The dollar is the global currency of choice; there are few places that won't accept a greenback for whatever is being bought or sold.

The old adage also holds true that "if the US sneezes, then the rest of the world will catch a cold". The sub-prime mortgage crisis that led to the Global Financial Crisis that caused a global recession originated in the United States, of course. It is there that the recovery is also seen to have begun.

Growth in the US economy has been volatile through the recovery and there has been little that has been seen as exclusively positive. The first quarters of both 2014 and 2015 were hampered dramatically by weather, with a limited rebound seen in the quarters afterwards. At the time of writing, the US consumer is once again shopping, aided by a strong US dollar, however it has dragged inflation towards zero.

Despite the uneven recovery, the Federal Reserve is likely to start a policy of normalising interest soon. Part of the Fed's mandate is to maintain price stability and to reduce unemployment and, broadly speaking, it has succeeded in both through the past few years. Interest rates should begin to increase in 2015.

Increasing interest rates is not necessarily good news for a housing market as it obviously makes borrowing costs and therefore mortgages less attractive. That said, the US housing market, particularly in urban centres, remains very resilient. However, the Federal Reserve is not going to burst a bubble it's been working at reflating for seven years by raising rates too far too fast.

“ Increasing interest rates is not necessarily good news for a housing market as it obviously makes borrowing costs and therefore mortgages less attractive. ”



Jeremy Cook is World First's chief economist. You can read his daily thoughts on the economy by [signing up to his Morning Update](#).



Buying the property is only part of it...

A large, semi-transparent image of the Statue of Liberty serves as the background for the entire page. The statue is shown from the waist up, holding the torch in her right hand and the tablet in her left. The background is a dark, muted blue-grey.

Apart from the actual purchase of your new home in the US, there are plenty of other things you need to bear in mind.

Pension

As long as you've been contributing towards your state pension, you'll get your pension paid at the same rate of inflation as those living in the UK. If your contributions haven't been enough to be able to qualify for a full UK pension, the contributions made in the US will count towards your state pension. The same is true when it comes to qualifying for an American pension as your UK contributions will be combined with your US contributions.

You can fill in this HMRC US Individual form and IRS Form 8802 to claim tax relief on your UK state pension – send it to your nearest IRS office.

You can transfer your private pension in the UK to the USA. Through what are known as Qualifying Recognised Overseas Pensions Schemes (QROPS) – overseas pensions which meet the rules of where they are located – you can have your pension paid into a bank account in the US.

Healthcare

This is one area that's completely different to back home. No national health service here. What healthcare you get, you'll have to pay for directly (yes, we pay for the NHS here through our taxes, but you know what we mean).

The two public health insurance plans in the US are Medicare, which covers pensioners and disabled people, and Medicaid which supports those in poverty. Healthcare is paid for on a private basis, often as an employer benefit, and covers the whole immediate family. However, as costs have increased, workplaces have been asking employees to make more of a contribution towards the costs.

Schools

The education system is arranged as such:

- Elementary school (grade 1 to 5/6)
- Middle school/junior high (grade 5/6 to 8 /9)
- High school/senior high (grade 8/9 to 12)

It's not unusual for a child to start 'mid-term', and the child will usually enrol at their nearest school.

Just be aware of what grade they need to start it. While most children start school at four years old in the UK, in the US it's usual for them to start at five. Working out which grade is right for your child is an important consideration.



Useful Links

Living in the USA

<https://www.gov.uk/living-in-the-usa>

<http://www.internations.org/usa-expats/guide>

Healthcare

<http://www.nhs.uk/NHSEngland/Healthcareabroad/movingabroad/Pages/Introduction.aspx>

Education

<http://www.theexpathub.com/education-in-the-usa/>

Tax

<https://www.gov.uk/topic/personal-tax/living-working-abroad-offshore>

State pension if you move abroad

<https://www.gov.uk/state-pension-if-you-retire-abroad/how-to-claim>

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