

# **American Expatriation Guide:** **How to Divorce the U.S. Government**

by  
a Former U.S. Citizen

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## Introduction

Greetings U.S. citizen!

I'm writing to you as a former U.S. citizen who was born and raised in America. I pledged allegiance to the flag every morning at school. I grew up and voted in elections. And I paid my taxes. Lots of them. I was what the government would consider a model citizen-asset: long revenue and short dissent. Most of my friends and relatives live in America, and I often go back to visit them. I still consider myself to be American, even though I am no longer bound to the U.S. government.

So why did I opt out of being a U.S. citizen? I realized a person's family and cultural roots are not the same thing as affiliation with a political entity. My citizenship was an accident of birth, and I was pledging allegiance to the government before I even knew what the phrase meant. When I decided I no longer wanted to be a subject of the U.S. political machine, I exercised my right to expatriate. My ties to the government are what I severed, not my American roots or my relationships with the many friends and family I have in America.

Much of the information about expatriation on the Internet and in books is outdated or inaccurate. When I first started doing my own research, there was enough contradiction and confusion to make me thoroughly intimidated. The purpose of this guide is to share what I wish I'd known. Highlight topics include:

- What expatriation means for U.S. citizens
- Immediate and lasting benefits of expatriation
- How to get a second passport
- What the “exit tax” is and how to calculate what you’d owe, if anything
- A detailed roadmap of the process
- Choosing where to live after you expatriate
- Visiting America without falling back into the global U.S. tax net

You might be wondering why I wrote this guide anonymously. The reasons are that I don't want attention, and I don't want payment of any kind. I've been fortunate to be the beneficiary of knowledge from a handful of generous and open-minded individuals who asked nothing in return. This guide is offered in that spirit.

Whether or not you decide expatriation is right for you and your family, it's not possible to explore the choice without reliable information. Please know that while I believe the information in this guide is accurate, I urge people to verify things for themselves – not only because I can be wrong, but because the expatriation process has changed substantially over the years. And as increasing numbers of people divorce themselves from the U.S. government, it will no doubt change more in the future.

## **Why American Expatriation is Different**

First, what exactly is expatriation? “In 1868, Congress declared that ‘the right of expatriation is a natural and inherent right of all people, indispensable to the enjoyment of the rights of life, liberty, and the pursuit of happiness.’” (Source: [www.justice.gov/olc/expatriation.htm](http://www.justice.gov/olc/expatriation.htm))

There is no right more essential to individual liberty than the right to expatriate. The right to renounce one’s citizenship is the single most powerful check on the growth of any predatory government. That’s perhaps why it is so seldom mentioned.

But to the 6+ billion people who aren’t U.S. citizens, expatriation simply means picking up and moving to another country. A British family living in Melbourne, a Canadian studying in Paris, a German working in Hong Kong...all are expatriates (“expats” for short). The act of moving somewhere else frees them from the tax obligations of their native country. This allows people who are fed up with their government the freedom to vote with their feet and their dollars.

But for U.S. citizens, expatriation is not accomplished by moving to another country. The U.S. government demands taxes from you no matter where you live. “Taxation without representation” was at the heart of the Founding Fathers' revolt against England. What tragic irony that America would end up being the only country to do this to its citizens today. The other nations of the world respect that if you're not living in your native country or using the government’s services, then you're exempt from their tax net. (“Tax net” is the term accountants and tax lawyers use.)

According to the State Department, there are over five million U.S. citizens living abroad. All are forced laborers for the U.S. political establishment. But you certainly don't have to be living abroad to consider expatriation. I, for one, wasn't. Whether you're a young entrepreneurial spirit or a wealthy retiree, expatriation is a choice that can transform the quality of your life.

So in short, expatriation for an American is the legal act of divorcing yourself from the U.S. government. Anything else is just living abroad. But expatriation is not a one-step deal. As convenient as it would be, you can't expatriate by sending in your U.S. passport with a letter to the State Department declaring you're no longer a citizen. To make it count with the government, you must fill out their forms and jump through their hoops.

## **Is There Another Way?**

The act of jettisoning your U.S. citizenship is formally called renunciation. Renouncing your citizenship is the **ONLY** legal way to free yourself from the global U.S. tax net. If you think you know a way to “beat the system” rather than legally opt out of it, I strongly recommend reconsidering. Google “UBS tax scandal” if you'd like an example. These people no doubt thought they were very clever.

I urge you not to fall for the myriad offshore tax planning promotions by lawyers and accountants on the Internet and in books. I investigated many of these, and they all end up in

one of three categories: 1) phony scams like the one actor Wesley Snipes fell for; 2) old tax loopholes that briefly may have worked, but have long been closed; and 3) high-cost asset restructuring plans using trusts, partnerships, foundations and other vehicles which trigger enormous reporting requirements and flag you as a “person of interest” to the IRS.

As I write this, there are literally thousands of additional IRS agents being hired. There’s the new IRS “Global High Wealth Industry,” a division created to target wealthy people. And I’d be remiss not to mention the IRS snitching program. You can snitch anonymously, or give your name and collect up to \$2,000,000 in rewards. If it seems too Orwellian to be true, download IRS Publication 733 and read the snitch form for yourself. Really, what else is there to say now that governments literally are bribing bank employees to slip them customer databases of confidential account information?

But what about fighting to change the system? Given the countless rip-offs and abysmal approval ratings of U.S. politicians over the years, it's understandable that some people would want to make a stand. I don't recommend this approach. Here's just one example of what happens when you fight the system from within the system. This fellow is in his 80s and is rotting in prison: [http://en.wikipedia.org/wiki/Irwin\\_Schiff](http://en.wikipedia.org/wiki/Irwin_Schiff)

Here's the bottom line: Short of expatriation, there is no strategy that legally extricates you from the global U.S. tax net. If you play fancy asset shell games, the best case scenario is you'll spend lots of money and shoulder considerable stress dealing with endless reporting and the specter of audits. The worst case scenario is you may fail to fully comply with the raft of regulations and requirements of the IRS and the Treasury. The result? Getting your money, and possibly yourself, confiscated.

## **A Better Way**

So what’s the better way? Just opt out of the system. Take your freedom, your money and your peace of mind with you. Life is too short and too precious to battle Brobdingnagian bureaucracies armed with multi-billion dollar budgets, swarms of armed enforcers, and the power to make and repeal laws to suit their interests.

The best way to fight the system is to peacefully step out of the ring. Legally cut off its access to your money, your time, your future productivity – and if you have children – their inheritance. The top 10% of taxpayers already pay 70% of the taxes, and the rates are headed higher. These people are walking away in greater numbers, and when that walk turns into a run, I promise you'll want to be watching what happens next from afar.

Exercising the right of expatriation continues to become increasingly difficult and costly. The U.S. political juggernaut steamrolls rights all the time. The Patriot Act alone makes a doormat out of the Bill of Rights. When the NSA was outed for tapping people's phone calls, emails, and text messages without warrants, was anyone actually surprised? (If you haven't thought much about privacy, here's the crux: The right to privacy isn't about whether or not you have something to hide. It's about the right not to be spied on.)

As time passes, the right to expatriate may exist in name, but the costs and consequences of exercising that right may be chilling. When considering any right, just remember that it used to be legal to own slaves in the land of the free...but illegal to own gold. And drink a martini.

## **From a Walk to a Run**

So when might a walk turn into a run for the exit? It already may have begun. The *New York Times* recently ran an article titled “More American Expatriates Give Up Citizenship.” The article notes that there were more than twice as many renunciations in the last three months of 2009 than in all of 2008. The article cites these numbers from the Federal Register, the government publication which records renunciations.

But here's what the article doesn't say. Talk to expatriation attorneys and they'll tell you many of their clients never show up in the Federal Register. I believe the numbers are underreported to avoid the embarrassment of revealing how many people are renouncing citizenship. But even the reported numbers in the Federal Register are growing geometrically. As the article suggests, I believe we're seeing “the tip of the iceberg” of what's to come. When I expatriated, I asked the consular official who processed my paperwork how busy they were handling these. The official said they were busier than they'd ever been.

Here's a more deductive way to illustrate that the walk may be turning into a run. You cannot renounce your citizenship in the U.S. It must be done outside the country at a U.S. embassy or consulate. The *New York Times* article says, “Waiting periods to meet with consular officers to formalize renunciations have grown.” That's true – but also an understatement. There are hundreds of U.S. embassies and consulates scattered around the world where people can go to expatriate. The full list, along with their web sites, is here: [www.usembassy.gov](http://www.usembassy.gov)

Now from that long list, take the London embassy, for example. It processes multiple renunciations every day. If you contact them to book an appointment, good luck. The wait time is reportedly almost a year. So given that they're overbooked, if the embassy only processes three renunciations per day, that alone would account for all 743 listed in the Federal Register for 2009. Given the hundreds of other U.S. embassies and consulates you can visit to expatriate – many with substantial wait times – it seems obvious that the number of people renouncing is woefully underreported.

## **So Who Does This?**

To begin with, the Founding Fathers. They are the original American expats. The Declaration of Independence was their renunciation of British rule. And what an insight when they wrote that all governments derive their power from “the consent of the governed.” These men withdrew their consent. The renunciation of one's citizenship is an individual's declaration of independence.

In a more modern context, expatriation is often associated with the rich. Probably the most well known person to renounce his U.S. citizenship is self-made billionaire and philanthropic giant John Templeton.

But expatriation is not just for John Templeton and hedge fund managers. The *New York Times* article focuses on the millions of U.S. citizens who already have been living abroad for years. They're expatriating because they no longer want to be treated as "toxic citizens" due to the raft of Patriot Act provisions and other regulations which make U.S. citizenship an albatross when living abroad.

Then, there are people like myself and other expats I know. People who have lived in America all our lives, but came to the conclusion that we would be freer, happier and wealthier no longer being wards of the U.S. government.

Over the past few years, technology has opened up the choice to expatriate to millions of Americans. Keeping connected as an expat has never been easier. The ubiquitous presence of the web – with services like Skype, Facebook, WordPress, Twitter, and YouTube – lets you keep in touch with family and friends wherever they are. And airfare has never been cheaper. Powerful electronic devices have opened up the business world too. From speedy laptops to Bloomberg terminals, from Blackberries to iPhones, more professions and more transactions can be done without regard to your physical location than ever before. Other wonders like Amazon, iTunes, online banking and online trading have been revolutionary as well.

It's also worth mentioning that expatriation is perfectly suited to the lifestyle possibilities outlined in Tim Ferriss's best-selling book, *The 4-Hour Workweek*. For Americans who have the goal of earning their income online – and of course for those who are doing it already – expatriation opens the door for you to earn your income tax-free while you travel and enjoy the world. Visit: [www.fourhourworkweek.com/blog/overview/](http://www.fourhourworkweek.com/blog/overview/)

## **Ten Benefits of Expatriation**

Everybody has their own personal reasons for expatriating, but here are some of the benefits:

### **1) Freedom from the global U.S. tax net.**

Taxing you no matter where you breathe on this earth is wanton American exceptionalism. What other nations don't dare do to their citizens, the U.S. government doesn't think twice about. Once you renounce, it's your choice either to live the rest of your life free of any tax net, or to pick a place you want to be year-round and opt into the tax system (assuming it's not a tax-free jurisdiction). If you do, you'll at least know you have the freedom to walk away from it by simply moving elsewhere.

Taxes in the U.S. are already high, and rates are set to increase across the board. To gain some perspective, it's clarifying to calculate the number of months per year you work for the government. How many months did it take to pay all the federal, state, and local income taxes, capital gains taxes, FICA taxes, property taxes, and AMT – plus the raft of permitting, licensing

and accounting costs you incur over the course of a year? Add corporate taxes if you're a business owner. And don't forget the new 3.8% health care surcharge tax on all investment income, including dividends. Be honest and add it all up. You'll then have a decent idea of how much it costs you in time and money to be a U.S. citizen every year. That cost will rise dramatically going forward.

Here's the take-away: The biggest guaranteed return on your capital that you'll ever have is investing your money free of taxes. Do some long-run compounding calculations with and without taxes to see what I mean. I'll wager John Templeton did.

## **2) Freedom from the death tax.**

Its political label is the "estate tax," but the fact is the tax is based solely on your demise. I used to think the death tax only applied to gains on assets that had not been taxed already. How naïve I was! It grabs half of all your assets, regardless of the fact that you've paid taxes on them.

If you have over a few millions dollars net worth, your heirs will be writing a heart-stopping check to the IRS. They also may be forced to liquidate your assets to raise cash. This has happened to countless small businesses and family farms. And if you're a young, talented entrepreneur who goes on to earn substantial wealth over the course of your life, the death tax has you in its crosshairs too.

The death tax is 45% now and is scheduled to jump to 55% in 2011. Either way, the amount is staggering. Expatriation lifts the death tax burden from your children and other heirs.

## **3) Freedom from the U.S. government's War on Solvency.**

Washington's crazed debt addiction is uncontrollable and endemic. U.S. politicians have strapped an inconceivably large debt burden on the backs of their subjects. It pays to spend some time on [www.usdebtclock.org](http://www.usdebtclock.org). The multi-trillion dollar debt avalanche roars on, headed straight towards economic hell. After "Debt Per Taxpayer" and "Liability Per Citizen," check out "U.S. Unfunded Liabilities" to see a number that's suited to astronomical calculations – not economics.

Don't be tricked into thinking this is a partisan issue. It's sobering to review the debt records of both Democratic and Republican administrations...to behold what politicians do when given trillions of dollars of other people's money. They spend it all – and then borrow trillions more! Of course, the burden of servicing that debt is on you, not them. Their six-figure salaries are guaranteed, along with their uber-perks and fully funded pension plans.

While often described as "the richest nation in the world," the reality is that the U.S. is the most indebted nation, by a country mile. No other government comes close to matching the debt burden that has been dumped onto every taxpayer. The U.S. government is rampantly incurring debt in your name, and you have no way to stop it or slow it down. Standing in free speech zones with protest signs didn't work when it came to war and crony bailouts, and it won't work for the debt burden either.

Besides, it's already too late. The interest alone on the debt is trillions of dollars. Trillions...as in thousands upon thousands of billions. Google "interest due on U.S. debt" if you think I've



veered into the realm of fiction. Once you've returned, I think you'll agree: The one truly meaningful act you can take as an individual is to opt out. Unload the government's debt burden off your back. Don't let yourself or your family be a casualty of the government's War on Solvency.

#### **4) Freedom from being treated like a "toxic citizen."**

When traveling abroad, being a U.S. passport holder used to be a positive thing. Now it's an albatross. The *New York Times* article I cited earlier explains it plainly: Americans abroad are being treated like "toxic citizens." They're cut off from banking and other business and investing opportunities solely because of their U.S. citizenship.

Typical currency controls don't permit you to take money out of a country. The U.S. doesn't have that (yet). Instead, and this is quite clever, the government enacts laws and regulations that function as indirect currency controls. There are so many Patriot Act and other costly impositions forced on foreign banks that handle U.S. customers that they're simply refusing to put up with the harassment. Here's the upshot: Your money isn't fenced in; it's fenced out.

If you seek firsthand evidence, visit a major banking center outside the U.S. and try to open a bank account. Odds are you'll be turned away when the bank finds out you're a U.S. citizen. Reports abound of U.S. citizens' long-held accounts at foreign banks being summarily terminated. The U.S. government has made its subjects, along with their money, *persona non grata*.

I've read that some foreign banks are now setting up, in essence, holding pens designed to handle U.S. citizens who want to bank offshore. But, really, what's the point? You're burdened with having to file extra IRS paperwork, along with FBAR forms to the Treasury Department. And even if you don't file all the extra papers (not a smart move), new laws force foreign banks who accept U.S. customers to report on you anyway. They are pressured to sign "information reporting agreements" to have U.S. citizens as customers. Google "FATCA" and "qualified intermediary agreements" if you want details.

Now for the most extreme instance of liability. Being a U.S. passport holder can mean life or death in the context of a terrorist attack. The U.S. government's never-ending War on Terror makes the world more dangerous for Americans. After so many years of bombing and military occupation in the Middle East, how can the hundreds of thousands of civilians who've been maimed and killed by the U.S. government NOT be the source of enduring resentment and blowback? Needless to say, the U.S. passport is on the short list of ones you least want to have if somebody sticks a gun in your face and says, "Passport." Unfortunately, this has happened on more than one occasion, and it would be unreasonable to assume it won't happen in the future.

#### **5) Freedom from the paperwork prison.**

Millions of Americans are plagued every year by days, sometimes weeks, of preparing tax documents and paying thousands of dollars to accountants to decipher the IRS tax code. There are, literally, hundreds of different IRS forms. The tornado of rules and regulations in the tax code fills roughly 70,000 pages. And then you have to save boxes and boxes of papers for years in fear of someday being audited and not being able to produce the demanded documents. If

you're unfamiliar with audits, here's how they work: You're guilty of whatever the IRS claims, unless you prove yourself innocent. If that sounds preposterous, I encourage you to ask a tax lawyer. "Innocent until proven guilty" does not apply. Freedom from spending days of tedium on mind-numbing paperwork and thousands on accounting fees has been an absolute joy. Highly recommended.

**6) Freedom to invest without tax distortions that encourage capital misallocation.**

The U.S. tax system encourages misallocation of your investment capital. It obscures the act of buying and selling securities based on a rational assessment of their value. For instance, you end up not selling a security you otherwise would simply because you don't want to trigger taxes yet. Or you hold on longer than you might otherwise to get long-term capital gains treatment. Or you sell securities you normally would keep – for "tax loss harvesting."

Moreover, you're incented to give an artificial value premium to municipal bonds simply because they aren't taxed, despite their negative real return after inflation. And your assessment of real estate's value is warped too, by mortgage interest deductions and capital gains exemptions. The phrase "letting the tax tail wag the dog" encapsulates these distortions. Expatriation instantly liberates you from them.

**7) Freedom from being crushed by the fiat currency landslide.**

If you pay attention to the world's major currencies, you'll notice they fluctuate, often dramatically, against each other. In a year's time, the price of an item can increase or decrease 20%, 30% – sometimes more – solely based on which currency you use to pay for it. The same item! The reasons for this are beyond the scope of this guide. Suffice to say, it has to do with government central banks manipulating their currencies by price-fixing interest rates and continually printing money.

Regardless of the reason for the volatile swings in the value of currencies, there it is. Reality. So what's the risk for you? For one thing, you can have all your money in one currency, earn a positive investment return on paper (that you're taxed on), but actually lose purchasing power. Think about it this way. The U.S. imports goods from all over the world. When the U.S. dollar drops in value, it takes more of them to buy those goods. That makes you functionally poorer, no matter what your account statement says. It's that simple.

Every time the dollar drops, you get the short end of the stick. The value of your savings erodes. Your money is like ice cubes. The longer you wait to use them, the more they melt. According to the government's official "inflation calculator," the dollar has lost 95% of its purchasing power since 1913. See for yourself here: [www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)

When you're out of the global U.S. tax net, you can freely diversify the currencies you own to protect your purchasing power from being diluted. If you do this as a U.S. citizen and the dollar drops, you're taxed on the paper gains from those other currencies. In other words, you're taxed for simply preserving your purchasing power. And if you choose the monetary metal, gold, as a fiat currency hedge, you're taxed even more heavily. No matter what you do to try and preserve the purchasing power of your dollars, one way or another you're slowly being bled. That ends on the day you expatriate.

**8) Freedom from the accountability for how the U.S. government spends your money.**

I sleep much better knowing I no longer fund the military-industrial-banking complex. Anybody can get mugged, but every U.S. taxpayer is a constant patsy for the political establishment. The rip-offs are so unthinkable big and endemic, there's nothing an individual can do to stop them.

If you step back and take an honest look, you'll see that the unfortunate state of affairs in America has resulted from the reign of both political parties. Don't fall for the divide and conquer strategy that politicians use to corral people into "red" and "blue" sports teams. Donkeys and elephants are sold as team mascots pretending to be in mortal conflict. In reality both parties work together to advance their agendas in lockstep...logrolling...and when necessary, one side "takes the hit" whenever the illusion of accountability is needed. The system depends on the delusion that people can "vote the bums out."

Meanwhile, every government failure becomes the pretext for more government growth. If you don't get distracted by the spectacle, it's impossible not to notice the pattern: Every political solution to any problem involves more regulation of your life and more taking of your money.

What are the consequences of this vicious cycle of growth through failure? Most Americans are familiar with the oft-chanted phrase, "We're #1!" Humor me for a minute and try this exercise. Mentally separate yourself from the government you're paying trillions of dollars to fund. Then, consider that the U.S. is:

- #1 in government debt and deficits
- #1 in unfunded liabilities, most importantly Medicare and Social Security
- #1 in building and maintaining the biggest WMD stockpile in the world
- #1 in weapon sales to foreign governments
- #1 in bombs dropped and missiles fired on other nations
- #1 in causing civilian casualties and property destruction
- #1 in "defense" spending – about as much as all other countries combined
- #1 in lawyers per capita, with over 1.1 million total
- #1 in law suits filed – millions and millions every year
- #1 in political lobbyists, special interest groups and campaign donations
- #1 in taxpayer bailouts of the politically connected "too big to fail" corporations
- #1 in people imprisoned – "The United States has 4% of the world's population and 25% of the world's incarcerated population." -Wikipedia

I've avoided citing sources for these claims (save the last one) because I'm hoping you'll be moved to verify them for yourself. The process is eye-opening. If you fall for the political fallacy that "the government is the people," you end up with the faulty conclusion that America must be overrun by war-crazed, lawsuit-happy, debt-addicted criminals. How could anybody buy this after even a moment of clear thought? There's certainly no resemblance to the

American people I know. These problems stem from the military-industrial-banking complex, the dark heart of the U.S. political machine. Why continue being the stooge that supplies the money to run it?

Looking at the world with fresh, open eyes isn't easy. One of the great benefits of liberating yourself from the grip of the U.S. political system is that the world becomes your oyster. You're free to embrace places that welcome individuals who seek to live peaceful and prosperous lives.

#### **9) Freedom to radically increase your charitable giving.**

Individual liberty sparks our charitable instincts. If you care deeply about philanthropy, expatriation frees up vastly more of your capital to give away. Also, your philanthropic impulses are no longer distorted by the IRS. You can give to any charitable cause worldwide without being penalized if it's not anointed as a tax-deductible entity.

The human impulse to help another in need is older than any government. Your judgment about how to contribute your capital to best help others will forever be superior to that of bureaucrats. Expatriation opens up new possibilities for you to reach out and help others in need.

#### **10) Freedom from the risk of getting trapped.**

Politicians don't like it when the people who pay their salaries, fund their pensions, and fuel their jets close their wallets and walk away. As the number of renunciations continues to rise, it inevitably will turn into a political hot-button. The media will set the stage for politicians to denounce renunciation, paving the way to make exercising the right more difficult and costly. Wealthy people who renounce will be called greedy and unpatriotic. "Turning their backs on their fellow Americans" will be the sound bite wielded by politicians to conjure up the demand to "do something." When that happens, I expect the exit tax to become dramatically worse. Instead of taxing unrealized gains at their regular rates, it may function more like the death tax. Add up everything you own – then cough up half. Otherwise sit down and shut up.

The other timing consideration is that getting a second passport is becoming more difficult, more lengthy and more costly. You need a second passport to expatriate, and countries are increasing the number of years it takes to gain citizenship. There are only two countries left in the world that have an economic citizenship program, which is by far the fastest way to get a second passport. If these two programs are pressured to fold, escaping the U.S. political combine will take most people five or more years, instead of less than one. You can bet on this: No matter what happens, it won't get any easier.

## **Major Misconceptions about Expatriation**

Because reliable advice about renunciation is difficult to find, it's easy for inaccurate, misleading information to spread. Here are five major misconceptions some people have about expatriation:

### **1) "Even if I expatriate I'll still have to file U.S. tax returns for the next ten years."**

Believe it or not, this USED to be true. However, the law changed years ago and no longer

applies. Now all you do is file a final return for the part of the year when you were still a citizen. That final return also includes Form 8854, which lists what, if any, exit tax is due.

- 2) **“If I expatriate, the IRS will take half my money.”** Not true. Taking half your money is what the IRS does if you die as a wealthy U.S. citizen. Here's the reality. If you have a net worth less than \$2 million and don't meet their income test, you automatically owe no exit tax. If your net worth is over \$2 million, you are what the IRS calls a “covered expatriate,” meaning you MIGHT have to pay exit tax. But you also might not, even if your net worth is \$200 million or \$2 billion.

So how can you tell what you would owe, if anything? It's pretty straightforward: You pay exit tax on unrealized gains as of the day before you expatriate. In other words, it's as if you sold all your assets the day before you expatriated and paid whatever applicable tax would have been owed (long-term capital gains, ordinary income, etc.). If you own illiquid assets when you expatriate such as private companies or real estate, you'll need to get a fair market valuation done to determine what, if any, gains you would have had IF they had been sold.

Here's a critical caveat in the calculation: You get a free pass, called the “exclusion amount,” on the first \$626,000 in gains. If you're married and your spouse expatriates with you, the exclusion amount doubles to \$1.252 million. For example, you and your spouse could expatriate with a stock portfolio showing \$1.2 million in gains and not owe exit tax on it. Even if the portfolio tripled in value shortly after expatriating, you could sell it any time and owe no taxes.

To recap, if upon renunciation you own assets with unrealized gains of less than \$626,000, you will not owe exit tax, no matter how wealthy you are. If you do end up owing exit tax, look at it this way: Because of the exclusion amount, it's less tax than you would have paid if you'd stayed in the U.S. and sold the assets. Plus, if any asset you pay exit tax on continues to rise in value post-expatriation, all those additional gains are yours, free and clear.

- 3) **“Expatriation means I'll be barred from ever visiting the U.S.”** Nope. While renouncing citizenship means that you forgo the right to enter the country, in reality it's a straightforward process to visit the U.S. after you expatriate. If you already have a passport that gives you visa-free entry to the U.S., then you just go and visit like anybody else. If you have a passport that doesn't give you visa-free entry, you simply apply for a tourist or business visa at a U.S. embassy or consulate. It's called a B1/B2 visa, and it typically lasts for ten years.
- 4) **“But if I expatriate, I'll sacrifice my pension, Social Security and Medicare.”** All untrue. You're still entitled to these after you expatriate. With Medicare you obviously have to be in the U.S., so your Medicare use would be limited to visits there.
- 5) **“If I expatriate, I'll get grilled by government authorities about why I'm doing it.”** Not the case. Ask an expat-savvy attorney what to expect, and he'll likely describe an experience similar to my own. I went to my expatriation appointment, filled out the forms, signed the “oath of renunciation,” and handed the official my U.S. passport. That was it. No heat about why I was doing it, my finances, taxes or any other grief. The officials who process

renunciations are low-level bureaucrats just doing their job. If you show up with the right documents in hand, fill out the forms correctly, and behave courteously, it's an easy and mechanical process.

## **The Expat Roadmap**

Here's an overview of the five steps to renunciation:

- 1) Get a second passport from another country. You must have one before you expatriate.
- 2) Carefully review the State Department's renunciation forms and prepare DS-4079.
- 3) Book an expatriation appointment at a U.S. embassy or consulate.
- 4) Go to the appointment, complete all the forms and turn in your U.S. passport.
- 5) Celebrate after filing your final tax return.

Pretty straightforward for something that initially seems so mysterious and intimidating. Still, there are details to know and mistakes to avoid.

### **STEP 1: Get a Second Passport**

You are required to bring a second passport to your renunciation appointment. Even though expatriation is your right, the State Department will deny your renunciation if you don't have a second passport.

No doubt you're too bright to fall for it, but I'll say it anyway. Ignore the scams on Internet sites offering passports for sale. If your passport is not being issued directly by a government, you're getting a fake or stolen one.

There are many ways to get a second passport. But you can split the different approaches into two categories: the fast track and the conventional track. The fast track can be as quick as three months, plus you don't have to move from wherever you are to get the passport. In contrast, the conventional track can take five or more years, and you'll most likely have to move to that country.

Let's address the conventional track first. There's lots of information online about getting citizenship (and thus a passport) from any number of nations. Search for "immigration to \_\_\_\_\_" and you're off to the races. It's generally much easier if you're already married to a national of that country, but you'll still probably need to move to that country for six months or more. Another route is citizenship through ancestral claim. That too varies from country to country, but if you can produce birth records for your parents (and sometimes grandparents), then you may be on your way. The super slow conventional way is – while you're still a U.S. citizen – to immigrate to that country and go through the full residency and naturalization process. This path takes many years...three, five, sometimes much longer depending on the country. The best way to research these conventional options is to read online, write down any questions, and then contact an immigration attorney in the capital city to get your questions answered.

Now onto the fast track. Most people who feel motivated to expatriate don't want to spend years trying to do so. Although it's quick, convenient and legitimate, the fast track is not cheap. It's called economic citizenship. That means purchasing a passport directly through a government's economic citizenship program. There used to be several countries that offered this path. But over the years the U.S. has successfully pressured nation after nation to shut down the programs. Only two countries are still standing. The first is the Federation of St. Kitts and Nevis. The second is Dominica (not to be confused with the Dominican Republic). For people anxious to break free of the U.S. government's grip, these economic citizenship programs are a Godsend. That's why I fear they won't last.

St. Kitts-Nevis and Dominica are English-speaking British Commonwealth islands. Either passport will do the trick for renouncing your U.S. citizenship. That said, the St. Kitts-Nevis passport is generally more desirable because it has better travel privileges. By better travel privileges, I mean visa-free entry into almost any country the U.S. passport gets you into, including the EU nations and Canada. Dominica gets you visa-free entry into scores of countries too, but not the EU or Canada. You should compare the two closely and determine how important the price difference is to you. If you're more financially constrained and intend to get another passport a few years down the road anyway, the Dominica route may be well worth the inconvenience of getting visas.

Citizens of both St. Kitts-Nevis and Dominica enjoy freedom from income tax, corporate tax, capital gains tax, and any other taxes on all assets and income originating outside each respective country. Also, neither nation charges its citizens death tax.

If you have substantial assets, the cost of either passport will be more than recouped from your first year of tax savings alone. For an individual, the St. Kitts-Nevis passport is \$200,000, and Dominica is \$75,000, plus legal and processing fees. The cost increments higher if you include a spouse and children. The price of both passports has increased over the years as demand has risen. I expect that trend to continue – assuming the programs don't get shut down.

St. Kitts-Nevis also offers an economic citizenship route that's based on investing in real estate. That approach costs more up front – from \$400,000 to several million depending on the property. If you'd enjoy vacationing or living there, it may be a good choice. However, the real estate investment option is more involved and takes at least nine months to get your passport, about three times longer than the direct route.

St. Kitts-Nevis and Dominica require you to submit your citizenship application through a local attorney. Both have a deal worked out with an international firm called Henley & Partners ([www.henleyglobal.com](http://www.henleyglobal.com)), but that's just one choice among many. The links below list local attorneys who are authorized to submit your application, so it's probably worth contacting a few to ask some questions and compare fees.

As part of the application process, you need a medical exam to demonstrate you're in passable health. You'll also be required to submit criminal background clearances. For U.S. citizens, this means getting an FBI clearance certificate to show you don't have a storied criminal record. FBI clearances are very common and nothing to be jittery about. Any immigration lawyer will tell

you they're used all the time for residency and naturalization purposes. You send a card in with your fingerprints, and you get the clearance letter back. The process of how to do it is here: [www.fbi.gov/hq/cjisd/fprequest.htm](http://www.fbi.gov/hq/cjisd/fprequest.htm)

I received my clearance in a few weeks, though the site at the moment says it takes considerably longer. If that's still the case when you read this, ask the lawyer you pick if he can file your passport application while waiting for the clearance letter to arrive. That way if the FBI is slow to respond, it won't delay the overall processing of your application. Of course once you decide to begin the passport process, you can get a jump on this and send in the clearance request right away.

You'll also need to get a "police clearance certificate" from any state you've lived in over the last several years. Send in a request with the processing fee, and you'll get a letter back in a few weeks. Some states require you to send fingerprints, and some don't. This site has the contact details for each state: [www.canadainternational.gc.ca/detroit/offices-bureaux/certificates-certificat.aspx?lang=eng](http://www.canadainternational.gc.ca/detroit/offices-bureaux/certificates-certificat.aspx?lang=eng)

One other consideration: the Dominica passport application requires you to visit Dominica for an interview. It says on the St. Kitts-Nevis application that an interview might be required, so you could ask a lawyer how often that happens. More than one person has told me the Four Seasons resort in Nevis is worth a visit. Either way, a mini-vacation is never a bad thing.

When you receive your second passport, it's best to stop using your U.S. one. Travel exclusively on your new passport. You'll of course need to bring your U.S. passport to your renunciation appointment, but use your other passport at airports and wherever else it's going to be scanned and stamped.

### **St. Kitts & Nevis citizenship links:**

Main government site:

[www.gov.kn](http://www.gov.kn)

"St. Kitts & Nevis Citizenship-by-Investment Program"

[www.ciu.gov.kn/](http://www.ciu.gov.kn/)

"Citizenship By Investment Programme"

[www.stkittsipa.org/citizenship\\_investment.asp](http://www.stkittsipa.org/citizenship_investment.asp)

"St. Kitts Investment Promotion Agency" (several attorneys listed here)

[www.skbfincialservices.com/aut\\_persons.php](http://www.skbfincialservices.com/aut_persons.php)

The St. Kitts & Nevis Citizenship Application – I could only find the application on these two sites, so I've included both links in case one is taken down:

[http://economic-citizenship.com/download/sample\\_application\\_for\\_registration\\_as\\_a\\_citizen\\_of\\_st\\_kitts\\_nevis.pdf](http://economic-citizenship.com/download/sample_application_for_registration_as_a_citizen_of_st_kitts_nevis.pdf)

[www.mitchamandbenjamin.com/citizenship.cfm](http://www.mitchamandbenjamin.com/citizenship.cfm)



## **Dominica citizenship links:**

"How do I apply for Economic Citizenship of the Commonwealth of Dominica?"  
[www.dominica.gov.dm/cms/index.php?q=node/678](http://www.dominica.gov.dm/cms/index.php?q=node/678)

"Government Approved Economic Citizenship Agents 2010" list:  
[www.dominica.gov.dm/cms/index.php?q=node/848](http://www.dominica.gov.dm/cms/index.php?q=node/848)

Dominica Citizenship Application:  
[www.dominica.gov.dm/documents/economic\\_citizenship.pdf](http://www.dominica.gov.dm/documents/economic_citizenship.pdf)

## **STEP 2: Review the Renunciation Forms and Prepare DS-4079**

The documents listed below are the ones required by the State Department to process your renunciation. You only need to fill out DS-4079 before your appointment. DS-4080, 4081, 4082 and 4083 are forms that you should review beforehand but complete at the appointment, since they just have a few check boxes, dates and signatures.

- Questionnaire – Information for Determining Possible Loss of U.S. Citizenship, US State Dept. DS-4079  
File download: [www.state.gov/documents/organization/97025.pdf](http://www.state.gov/documents/organization/97025.pdf)
- Oath of Renunciation of the Nationality of the United States, US State Dept. DS-4080  
File download: [www.state.gov/documents/organization/81606.pdf](http://www.state.gov/documents/organization/81606.pdf)
- Statement of Understanding Concerning the Consequences and Ramifications of Relinquishment or Renunciation of U.S. Citizenship, US State Dept. DS-4081  
File download: [www.state.gov/documents/organization/81607.pdf](http://www.state.gov/documents/organization/81607.pdf)
- Witnesses' Attestation Renunciation/Relinquishment of Citizenship, US State Dept. DS-4082  
File download: [www.state.gov/documents/organization/81608.pdf](http://www.state.gov/documents/organization/81608.pdf)
- Certificate of Loss of Nationality of the United States, US State Dept. DS-4083  
File download: [www.state.gov/documents/organization/81609.pdf](http://www.state.gov/documents/organization/81609.pdf)

Let's talk about DS-4079, the one with lots of questions. Just be brief and direct. No need to write essays. If a question has room for several sentences under it, there's nothing wrong with answering it with a single sentence. For example, there's a big space where it asks what ties you have to the country of your second passport. If you just got your passport through economic citizenship and don't have any ties, then it's fine to simply say you have no ties. On question 8 it asks what ties you still have in America. It might be friends, family, business... whatever happens to be the case. But you don't need to list names. You should also add the filing of income tax returns to the list on question 8, since you'll be filing your final return after your renunciation.

DS-4081 asks if you'd like to make a separate written statement of your reasons for expatriating. My suggestion is not to since it isn't required, and you have nothing to gain by doing so.

### **The CLN: Your Golden Ticket**

DS-4083, called the CLN for Certificate of Loss of Nationality, is what you get at the end of your renunciation appointment. Handle with care, as it's your one piece of physical proof that you've expatriated. It's signed and affixed with an official seal at the appointment. However, you get another copy of the form several months later with an ink stamp from the State Department in the right-hand corner of the page.

I was given the CLN at the end of my appointment but told that the processing wouldn't be final until I received the stamped version from the State Department. I suppose the State Department could reject a renunciation, but I've never heard of it happening under normal circumstances.

In any case, make sure you leave your renunciation appointment with your CLN in hand. If for some reason they don't give it to you automatically, tell them you'd like one of the CLN copies (you'll have signed several) as a record that you completed the process here today, even though you know it's not final until the State Department approves it. Why am I making a fuss over this? Because CLNs are now taking a long, long time to be processed by the State Department. We're talking several months to as long as a year. I believe this is because they're swamped with renunciations, but regardless of the reason, you need your CLN, even if it's not the stamped version. I recommended making a couple copies of it right away and storing them safely.

Why is the CLN so important? For starters, the date of your renunciation is on your CLN, and that's the day you're cut free from the global U.S. tax net. Beyond that, say that you want to open an account in one of the world's private banking centers such as Switzerland or Singapore. Behold! They'll actually want you as a client. To establish international banking relationships, you'll need to show your CLN as proof that you renounced your citizenship.

To give another example, say you want to get a mortgage from a local bank to buy a lovely house somewhere in the European countryside. Overseas banks generally won't give Americans mortgages because having them as customers is not worth the cost, hassle and liability. So again, you'll need your CLN to prove you're no longer a U.S. citizen. Just showing them your other passport won't be enough.

### **STEP 3: Book Your Renunciation Appointment**

Ideally you would book your appointment at the embassy or consulate in the country (and possibly city) where you plan to be once you renounce. However, other embassies and consulates will take you, so it pays to "appointment shop" as the wait times can fluctuate greatly among locations. It's also worth noting that the paperwork process and appointment procedures vary slightly from place to place. Some may make you jump through hoops to book an appointment. For example, if you're trying to book an appointment in Dublin, they may ask if you live there. If the answer is no, they may ask why you want to show up there in particular. In

that case you could explain that you have plans to be traveling there anyway, so you'd like to see what appointment slots are available.

When you book the appointment, make sure to indicate how many people are renouncing if it's more than one. If you don't want to book the appointment yourself, you can have your expat lawyer do it for you. However, having a lawyer book the appointment for you can delay the process some places, as they may require written proof that your lawyer represents you. They ask for this proof via Form G-28: [www.uscis.gov/files/form/g-28.pdf](http://www.uscis.gov/files/form/g-28.pdf)

#### **STEP 4: Attend Your Renunciation Appointment**

Obvious stuff first: Show up early. Dress decently. Be courteous and polite. Don't forget both of your passports. The deal is sunk if you do. Bring your birth certificate, and if you have a certificate of naturalization from the country of your second passport, bring that too.

There may be a long line just to get inside the embassy or consulate. If there is, politely let them know you have an appointment booked. If they're running way behind, then they can notify the official that you're there. Dealing with any bureaucracy can be a test of your mental strength. Don't flunk.

You'll be completing many copies of each form at the appointment. Keep them organized in stacks. Proofread everything you and the official put on the papers. Make sure the signatures are in the right place. All this may sound obvious, but there's a lot to track. It's deceptively easy to make mistakes. Just remember it's your job – not the official's – to be organized and carefully proofread everything. For instance, if the official forgets to sign one of the forms, politely point out that in the midst of all the signing one was missed. If they are slow, bumbling or incompetent, suck it up and keep your cool.

#### **STEP 5: File Your Final U.S. Tax Return**

Your final tax return will be from January 1<sup>st</sup> through the day you expatriate. However, the fair market valuation for all your assets is as of the day before. That's because on the day you renounce, you are no longer a taxable person to the IRS.

If your renunciation date is any day other than December 31<sup>st</sup>, you'll be filing Form 1040NR for your final return: [www.irs.gov/pub/irs-pdf/f1040nr.pdf](http://www.irs.gov/pub/irs-pdf/f1040nr.pdf)

IRS Form 8854, the Expatriation Information Statement, is the exit tax form, and it's filed along with your final return. It's not especially difficult, but you want to make sure you do it right.

Here are the instructions and the form itself:

[www.irs.gov/instructions/i8854/ch01.html](http://www.irs.gov/instructions/i8854/ch01.html)

[www.irs.gov/pub/irs-pdf/f8854.pdf](http://www.irs.gov/pub/irs-pdf/f8854.pdf)

IRS forms are periodically updated, so make sure you have the most recent one.

The 8854 is targeted at “covered expatriates.” A covered expatriate is someone who meets the wealth criteria established by the IRS. It’s based on having a net worth of \$2 million or more, or a threshold annual tax liability from the preceding five years. To read the full definition and see if it applies to you, go here: [www.irs.gov/irb/2009-45\\_IRB/ar10.html](http://www.irs.gov/irb/2009-45_IRB/ar10.html)

If you’re a “covered expatriate,” I recommend filling out the 8854 with the assistance of an accountant, preferably one who has done them before. There’s no need to pay for his learning curve. If you have any questions that might be sensitive, consult a tax attorney first. You have attorney-client privilege with your lawyer – not your accountant.

If you have foreign accounts already extant before you expatriate, you'll also need to file a U.S. Treasury form called the “FBAR” (TD F90-22.1). You may have done this before since the form applies to all U.S. citizens and is not related to expatriation. The form is here: [www.irs.gov/pub/irs-pdf/f90221.pdf](http://www.irs.gov/pub/irs-pdf/f90221.pdf)

## **The World's My Oyster, But Where Do I Go?**

Before you expatriate you need to decide where you want to live, at least initially. Look around and pick your top candidates. Then find out what it takes for you to be there for a given length of time. Most places are free to visit as a tourist for quite a while, often six months. Then see what it takes to establish residency if you should choose to do so.

There's nothing that says you must immediately put down residency roots somewhere. You don't need an established residency outside the U.S. in order to expatriate. The only thing you need is a mailing address outside the U.S. to put on your renunciation forms. If you don't pick up your State Department-stamped CLN in person, then that’s the address where you should instruct it to be sent, by overnight courier. It’s also the address to use on your final tax return.

There's so much information online and in books about what it's like to live in different places that you should probably start off by thinking about what's important to you day to day. Being close to nature? Warm climate? Artistic culture? Shoreline? Good schools?

Say you only speak English, and you like living in or near larger cities. Maybe you'd feel intimidated moving someplace where English isn't the default language and you'd “stick out.” Or maybe that would be exciting – but let's say it was intimidating. In that case, you could start your search by looking at the major cities of Canada, Australia, New Zealand, England and Ireland. If you're not a city person, you could check out the many English speaking sunny islands like the Bahamas, Barbados, Bermuda, or the Cayman Islands.

If you don't care about ethnically blending in, but still want widespread English, Hong Kong and Singapore are great choices. They both have thriving expat communities. Singapore is world-renowned for its low crime rate and outstanding schools, and Hong Kong is repeatedly ranked as the economically freest place in the world.

Many expats who speak some Spanish head south to Panama, Belize, Argentina, Uruguay or Mexico. Or maybe it would be fun to live in Europe for a while. Perhaps you have a boat and want to spend time cruising wherever your impulse takes you.

If you're not sure where to begin looking, the global consulting firm Mercer formulates a list called "The World's 20 Best Places to Live." Here are a couple links to get you started:

[www.mercer.com/qualityofliving](http://www.mercer.com/qualityofliving)

[www.mercer.com/referencecontent.htm?idContent=1173105](http://www.mercer.com/referencecontent.htm?idContent=1173105)

If you find someplace to settle down as a permanent resident, check first to see what the tax implications will be, as you will be stepping into a new tax net, at least while you are settled there. Some places let you become a permanent resident – and even a citizen – while keeping your assets out of their tax net. Other places are tax-free jurisdictions that have no tax net at all.

### **O Canada**

Now let's go from broad to specific to illustrate an example scenario. Among expatriation advisors, Canada is often recommended for American expats. It's close to the U.S., which is an important consideration for those who plan to visit often. The schools are good; people are friendly and speak English; and blending into the culture is fairly seamless.

The biggest financial benefit Canada offers new residents is known as the five-year tax holiday. It allows new residents to place their assets in an offshore trust, thereby sheltering ALL non-Canadian sourced income and capital gains. Within that five-year tax holiday, if you choose, you can acquire Canadian citizenship. If you decide you don't want to settle permanently in Canada, you can leave before the tax holiday is up and become non-resident for Canadian tax purposes. If you decide not to stay in Canada for the long run, you'll still have another (excellent) passport and all the benefits of Canadian citizenship – without stepping into the Canadian tax net.

Another attractive feature for wealthier people who decide to take this route: You don't have to get a job to secure permanent resident status, the precursor to getting citizenship. To learn about the Canadian "Immigrant Investor Program," go here:

[www.cic.gc.ca/english/immigrate/business/investors/index.asp](http://www.cic.gc.ca/english/immigrate/business/investors/index.asp)

By the way, there's no death tax in Canada.

I've singled out Canada because for many Americans it's a great choice. The main thing is to enjoy the process of learning about different places. There's so much good information online; the world really is at your fingertips. And for most people, there's no time pressure because you don't need to make any long-term living decisions before you expatriate. The world is open to you. For as long as you like, you can be a free (and tax-free) spirit, what some call a "PT":

[http://en.wikipedia.org/wiki/Perpetual\\_traveler](http://en.wikipedia.org/wiki/Perpetual_traveler)

## Q&A Session

The following question and answer session is based on what I think people might ask after reading this guide. Some of them are questions I asked myself during my own expatriation process, so I hope the answers will be of benefit to you.

**Q:** You wrote this guide anonymously, so why should I trust anything you say?

**A:** With all things important – our relationships, our health, our money, and our freedom – we alone are responsible for our decisions. I try to seek out the best information and advice I can, and then I use my instincts and reason to do what feels right. I encourage you to do the same. Verify anything I've written with other sources you consider reliable. Parts of this guide will undoubtedly become obsolete as the U.S. government continues to change the laws and costs surrounding expatriation. All I can tell you is I've reached out the best way I know how regarding a choice that was transformational in my own life.

**Q:** If I expatriate and live somewhere else, won't I just be trading U.S. government aggravations for some other version? After all, no situation is perfect.

**A:** Expatriation is about improving your life, not attaining perfection. If you'd be more free, more happy and more wealthy by expatriating, then that's a massive improvement. That's certainly been the case for me. I no longer file tax returns. I have privacy and control over my assets and how I use them. I can bank and invest wherever I want and be welcomed with a smile instead of being rejected as a "toxic citizen." I can think clearly and rationally about investing, while paying no attention to "weighing tax implications." I have more money available to donate to causes I support. If I think a currency will tank, I can convert to other currencies or gold – and not be taxed for preserving my purchasing power. Lastly, I sleep better knowing that I'm no longer fuel for the U.S. political juggernaut.

**Q:** Isn't anybody who expatriates just being greedy for no longer sharing their money with the government? What about the idea of paying "my fair share?"

**A:** The act of sharing is a voluntary one. That's what makes it sharing. If you're compelled by threat of imprisonment to give somebody something, then it's not sharing. Nor is it fair. Paying your fair share is what you do when you go out to dinner with friends. But when strangers whose salaries you're forced to pay decide how much of your money to take, in order to spend it on things you often detest, then fairness is not part of the equation.

**Q:** Isn't it Un-American not to be positive and optimistic about the country's future?

**A:** Is it positive or optimistic to believe in bombing for peace and borrowing your way out of debt? I welcome the accusation that I'm being cynical, pessimistic, negative...any adjective that attempts to avert people's gaze from reality.

In other nations, if you're fed up you can just leave. That acts as a powerful check on the reach of politicians into people's lives and wallets. But Americans are stuck getting taken to the cleaners day after day, no matter where they go or what they do.

Care for some examples? Start by Googling “363 TONS of cash.” How the government “misplaced” 726,000 pounds of \$100 bills should be a point of vexation to a rational mind.

Now let’s put on an astronaut suit and go stratospheric. Google “2.3 trillion missing.” This revelation, made one day before 9/11, has been swept into the dustbin of mainstream media history. When thousands of billions of dollars of your money “go missing,” what is there left to talk about?

**Q:** Don’t we just need more laws and regulations to make things better?

**A:** Americans are the most regulated people on the planet. Consider that the Federal Register – for 2008 alone! – had 80,700 pages of laws and regulations. Read up on this legal kraken here: [http://en.wikipedia.org/wiki/Federal\\_Register](http://en.wikipedia.org/wiki/Federal_Register)

I’ll be shocked if the 2010 Federal Register doesn’t break 100,000 pages. And don’t forget about the hundreds of thousands of pages of laws and regulations at the state and local levels. The sheer annual output of all the federal and state “lawmakers” makes the 70,000 page IRS code seem measured by comparison.

Will adding a few hundred thousand more pages make people’s lives in America more productive, happy and free? Perhaps the six-figure salaried SEC regulators who surfed porn while ignoring Madoff whistleblowers beating down their door could elucidate.

**Q:** But if only X politician were elected, or Y political party could get more control, wouldn’t the whole system change? Shouldn’t I be out there writing Congressmen, signing petitions, and protesting in the streets?

**A:** The system is rotten to the core. No individual, no matter how noble and righteous, can save it. Once it collapses under its own weight, hopefully something much better will emerge from the wreckage. Protesting against it is about as effective as protesting against the plague. You can spend your time and energy agitating and making noise, but the fastest way to change the system is to cut off access to its power source: You.

**Q:** What if I have kids?

**A:** Knowing what I know now, I wish my parents had expatriated long ago. I would have thanked them for opening up the world to me. And I would have gotten a much better education. For an example of how much further ahead your kids would be if they were schooled elsewhere, see this:

[http://en.wikipedia.org/wiki/Trends\\_in\\_International\\_Mathematics\\_and\\_Science\\_Study#Results](http://en.wikipedia.org/wiki/Trends_in_International_Mathematics_and_Science_Study#Results)

Of course kids raised outside the U.S. are much more likely to be bilingual or trilingual as well. The benefits to your children of an international perspective can’t be overestimated in the 21<sup>st</sup> century.

There's nothing more important a parent can do than teach a child to think and be responsible for himself. The culture of compliance in the U.S. is a deadening force to a young mind. Here is an opportunity to show your child that when something's not right, you need to take action – not talk. Expatriation teaches them that there is, actually, a limit to what an individual should put up with from any government.

**Q:** When I go to my expatriation appointment, should I bring an attorney with me?

**A:** I wouldn't recommend it. It's better to go on your own or with your spouse and kids if your whole family is expatriating. The official likely will be uneasy if you show up with a lawyer in tow to speak for you. Besides, there's really no reason for it. Since the appointment mostly consists of the official signing forms and witnessing you signing forms, it's really not necessary to have a lawyer present. The officials aren't there to grill you with questions about why you're expatriating. (And even if they were, you'd just calmly tell them your answer from the forms.) What the official will do is make sure you fully understand what you are doing. Beyond that, the whole thing is quite mechanical.

**Q:** I already have a non-U.S. passport. How do I find out if I can visit the U.S. without a visa?

**A:** Search online for the list of countries which participate in the “Visa Waiver Program.” The list is on the Electronic System for Travel Authorization (ESTA) site. The list is short when compared to all the countries not on the list, so the next question is geared more towards the assumption that you'll need a visa.

By the way, airlines are a terrific resource for finding where you can travel visa-free – and how long you can stay – on any given passport. Why? Because they're responsible if they fly you someplace where you're required to have a visa. Call or use the airline websites to find out the answer if you're ever unsure. Here's a helpful site:

[www.klm.com/travel/ch\\_en/prepare\\_for\\_travel/travel\\_planning/travel\\_clinic/visaform.htm](http://www.klm.com/travel/ch_en/prepare_for_travel/travel_planning/travel_clinic/visaform.htm)

**Q:** My non-U.S. passport requires a visa to visit the U.S. Any tips on getting a B1/B2 visa?

**A:** Expatriation is a right, but applying for a visa is a request. Be courteous, forthright and non-confrontational. Explain right up front that you've expatriated but would like to visit the U.S. for XYZ reason — for example, to visit family. You'll probably be asked why you expatriated. It's best to keep the answer soft-edged. And do not mention taxes. If the decision to expatriate was a personal choice that seemed like the right thing for you, who can justly say otherwise? After all you decided to move out of the U.S. with no intention of living there again. You want to be truthful and sincere, without launching into any speeches. You'll be asked how long you want to visit. It's typically better to plan your first trip on the shorter side – less than a month.

A U.S. visa can be tough to get if the visa official suspects the reason you're applying is to stay permanently in America. In other words, poor families who want to visit people in the U.S. will typically get stiff-armed. But applying for a visa after you've expatriated demonstrates that you obviously have no intention to stay in America. That's probably why I've never heard of an expat having trouble getting one.



One last thing: Note on the visa application it asks, “Have you ever renounced U.S. citizenship for the purpose of avoiding taxation?” You of course need to answer every question on the application truthfully. I'm guessing that many readers of this guide who decide to expatriate will do so for personal and philosophical reasons, which in that case would mean checking “NO.”

**Q:** So once I expatriate, how long can I stay in America when I visit without falling back into the global U.S. tax net?

**A:** The practical answer is about 4 months per year. It doesn't matter if the time is continual. In other words you could visit the U.S. for two weeks eight times per year, or winter in Florida for a single four month stretch. If you stay longer than that, you're at risk of falling back into the U.S. tax net, even though you're no longer a citizen. There's a specific test called the “substantial presence test” the IRS uses to determine whether you're “deemed resident” and are therefore subject to the worldwide U.S. tax net. To read the details, check out page 4 of IRS Publication 519 here: [www.irs.gov/pub/irs-pdf/p519.pdf](http://www.irs.gov/pub/irs-pdf/p519.pdf)

One thing to keep in mind is that their formula takes into account the number of days you spent in the U.S. during the previous two years. If you've spent all your time in the U.S. prior to renunciation, it will initially reduce the number of days you can spend visiting.

**Q:** Are there any hidden fees for expatriating?

**A:** Not so much hidden as new. In 2010, the U.S. government started imposing a \$450 processing fee on each person who expatriates. There's never been one in the past, so why start now? I believe it's because they've never dealt with so many people leaving.

## Getting Started

Expatriation is in many ways a parallel process. What I mean is there are several things you can be doing at once to make the process go smoothly and efficiently. You should create a timeline and checklist for the overall game plan. That will keep you from getting bottlenecked along the way.

Since politicians have made the right of expatriation a tax issue, it's wise to retain an attorney who specializes in this area. They're out there, both in boutique firms and big name ones, often with offices outside the U.S. You'll also want a tax attorney in whatever country you decide to move to if you're going to establish permanent residency there.

Don't underestimate the importance of good planning and advice. Think carefully about the assets you want to keep through expatriation versus what to sell in advance. You don't have to move your assets offshore before you renounce, but many people do. One special consideration: If you own shares in an S-Corp, you must sell them or convert to an LLC or C-Corp before you expatriate.

A good way to start the advisor search is to call some international law firms and ask if they have anyone who specializes in U.S. citizenship renunciation. If they say no, request a reference. If they say yes, do an interview. Ask the lawyer when he first started handling renunciations, and how many people he's walked through the process. Ask a couple questions about the mechanics to see how fluent he is. See what he recommends in terms of positioning your assets for expatriation. Ask which embassies he prefers for his clients, and what the current wait times are. Once you've found an advisor you trust, you're well on your way.

## **Parting Thoughts**

Millions of Americans are fed up with the lies, the debts, the taxes, the bailouts, the hypocrisy, the rip-offs, and the wars. Record numbers of people are leaving, and I expect renunciation to become increasingly onerous and costly as more Americans exercise the right.

Although it is a right, history repeatedly has shown that governments are capable of doing, quite literally, anything. Your ability to divorce the political power structure – and thereby deny it further access to your time, talent, and money – is a terrifying proposition to a government bent on expanding its size and control. It's entirely conceivable, if faced with a panic that sparks a U.S. dollar or bond crisis, that Congress would enact “emergency measures” to keep the sheep in the pen, so to speak. Forced asset repatriations, wealth taxes, outright capital controls...all are well within their capabilities.

The good news is that the world is a big and exciting place, filled with kind-hearted people and endless opportunities. I hope you enjoy it to the fullest. And whether or not you choose to part ways with the U.S. government, I wish you peace and good fortune on your travels.