

Five things you need to know as an American in Canada



As an American who has moved to Canada, you may find it overwhelming to navigate the many complex financial, tax and estate planning considerations.

As an Investment Advisor with RBC Dominion Securities, Geoff Hartley specializes in working with “cross-border” clients who have recently settled in Canada, or who may be investing in one country while maintaining residency in another.

The following are the “top five” things that Americans living in Canada need to know about their finances.

1. You can continue saving for retirement, Canuck-style.

If you plan to live permanently in Canada and will not be returning to live in the U.S., a strategy exists to consolidate assets from your U.S. retirement plan, such as an IRA or 401(K), within a Canadian Registered Retirement Savings Plan (RRSP). Savings within an RRSP accumulate on a tax-deferred basis until they are withdrawn or converted to a Registered Retirement Income Fund (RRIF) in retirement.

2. You may be subject to the PFIC penalty. Americans who invest in Canadian-based mutual funds or Canadian exchange-traded funds can be subject to harsh tax penalties that apply to passive foreign investment companies (PFICs).

3. Education savings are not exempt. If you open or invest in a Canadian Registered Education Savings Plan (RESP), you may be subject to taxes on earnings within the plan and additional U.S. disclosure requirements.

4. TFSA income can be taxed in the U.S. The Tax-Free Savings Account (TFSA), introduced to Canadians in 2009, allows you to contribute up to \$5,000 annually, up to a potential maximum of \$20,000, and withdraw funds at any time, tax-free. For U.S. tax purposes, however, Americans are generally taxed on income earned within the account.

5. Don't forget the U.S. exit tax. Americans who expatriate, as well as certain long-term permanent residents who give up their U.S. residency, may be subject to a U.S. exit tax.

This list is by no means exhaustive, but can serve as a guide as you become more acquainted with cross-border tax implications.

Geoff Hartley specializes in assisting Americans who have moved to Canada with a variety of wealth management services. In addition to providing access to a full spectrum of investment solutions, he has an extensive income tax background with many years of experience working with Americans in Canada and individuals considering a potential cross-border move.

To learn more about investing and wealth management in light of your cross-border needs, contact Geoff Hartley at 416-842-3573, geoff.hartley@rbc.com or www.geoffhartley.com.

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