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A Note on Foreign Trusts

A trust is classified as a “foreign trust” for U.S. tax purposes when either its governing law is based outside the United States or a non-U.S. individual holds authority over the trust’s administration. Authority, in this case, includes rights such as a beneficiary’s ability to demand or receive distributions.

It’s very common during cross-border financial planning for a trust—originally assumed to be outside the reach of U.S. taxation—to unexpectedly fall under U.S. tax jurisdiction. This shift typically occurs when a trustee, grantor, or beneficiary becomes a U.S. taxable person. Once this happens, the trust may trigger complex U.S. tax reporting obligations.

Because of this risk, anyone transitioning to U.S. taxpayer status must carefully assess any foreign trust affiliations. Without proper planning, they could unknowingly activate complicated compliance issues or significant tax liabilities—what we sometimes call “U.S. tax time bombs.”



Investment Response: How to Effectively Build Wealth in a Complex Cross-Border Environment



As previously outlined, building and managing wealth in a cross-border context introduces significant complications. Fortunately, investors still have access to some of the most favorable investment opportunities worldwide through the U.S. financial system.

Markets in the United States give investors a powerful advantage: cost-effective access to a wide range of investment products, including index funds and ETFs, minimal trading fees, straightforward entry to international asset classes, and some of the highest standards of transparency and regulatory oversight globally. These benefits aren’t limited to U.S.-based holdings. In many cases, using a U.S. brokerage account to purchase international investments—such as European equities—can offer greater efficiency and lower costs than buying through institutions based overseas (reference: [link to currency paper](#)).

While cross-border taxation can be intricate, the value offered by U.S. investment platforms more than compensates for the additional complexity—if approached correctly. Strategic tax planning and thoughtful investment structuring are key to maximizing after-tax wealth.



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Professionals specializing in cross-border financial planning often apply these strategies:

Construct a diversified, multi-currency, multi-asset portfolio. A mix of stocks, bonds, and alternative investments like REITs can be held cost-effectively using low-fee ETFs available through U.S. brokerages.

Utilize retirement accounts recognized under international treaties. When tax treaties between the U.S. and another country recognize retirement savings vehicles, using those accounts to hold sensitive investments can shield them from unfavorable taxation in both jurisdictions.

Leverage differences in family member tax statuses. In mixed-status households, it's often best to consolidate U.S.-situs assets (subject to U.S. estate tax) under the U.S. taxpayer's name, while placing non-U.S. situs assets in the name of the non-U.S. spouse.

Strategically allocate income types to minimize taxation. For example, if only one spouse is a U.S. taxpayer and the family lives in Switzerland, it might be smart to hold income-producing investments in the U.S. spouse's accounts while concentrating growth investments—those generating capital gains—in the non-U.S. spouse's accounts.

Follow a disciplined portfolio rebalancing schedule. Systematic rebalancing helps capture the long-term benefits of mean reversion among non-correlated asset classes, keeping risk and reward properly aligned over time.

Adjust currency exposures thoughtfully. When future liabilities are denominated in a non-U.S. currency—such as expenses for a European retirement—families should adjust portfolio currency exposures to match those future spending needs rather than staying overly dollar-centric.

Stay informed about evolving tax and compliance regulations. The global tax landscape shifts regularly. Adapting investment strategies to reflect changes is essential for long-term success.

Take advantage of Roth IRAs and 529 accounts while in the U.S. These accounts offer powerful tools for tax-efficient growth and generational wealth transfers, particularly while residing in the United States.



Long-Term Wealth Is Within Reach

Cross-border investing and financial planning are undeniably complex. But with the right expertise and a deliberate strategy, international families can turn potential obstacles into opportunities for lasting wealth.

At Beacon Global Advisors, we guide families through the challenges of cross-border finance, helping them implement disciplined investment strategies that stand the test of time. Our clients benefit from careful planning and experienced management—freeing them to focus on their goals while their wealth grows across generations.

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