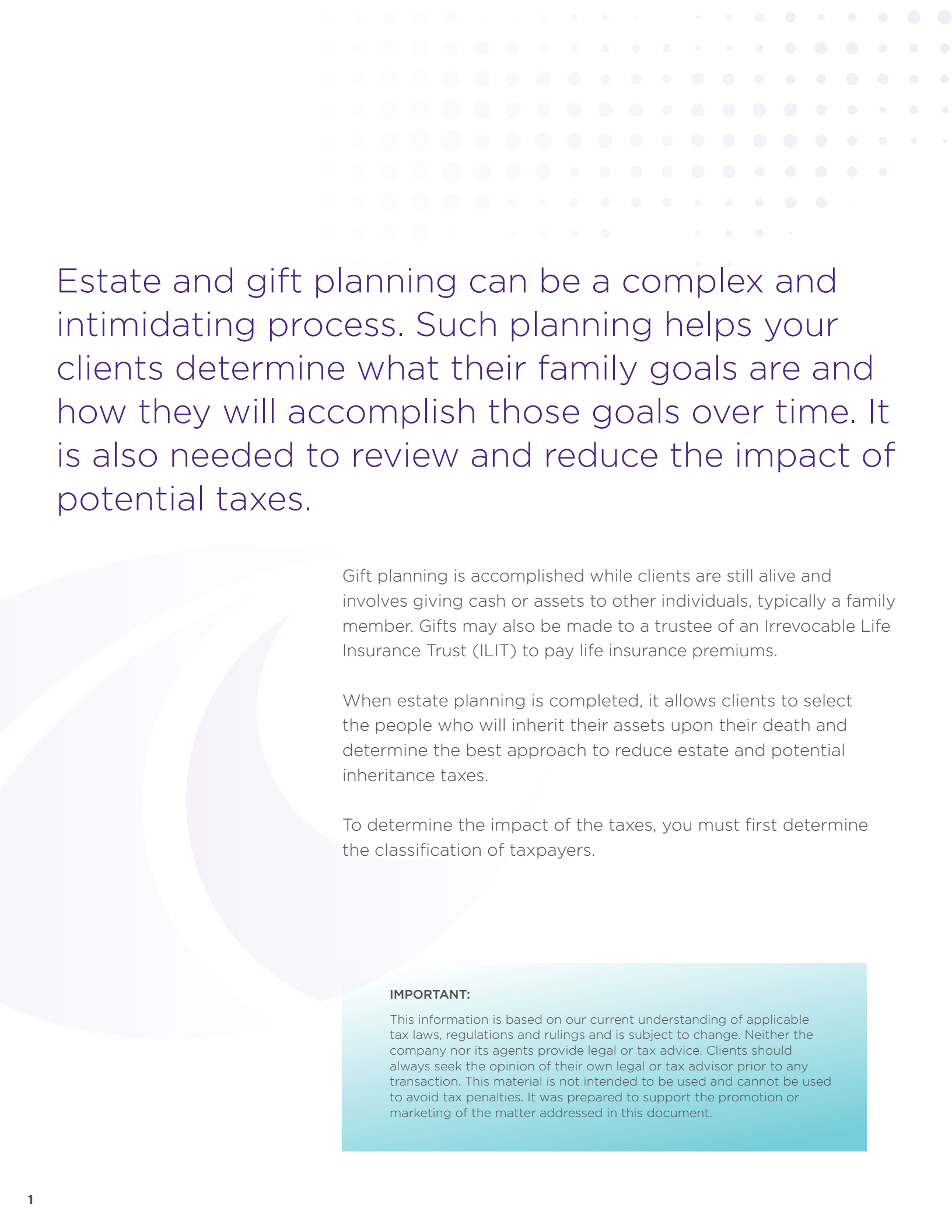


Non-Citizen Estate and Gift Planning Guide

**ADVANCED
MARKETS** 



Agent Reference Guide



Estate and gift planning can be a complex and intimidating process. Such planning helps your clients determine what their family goals are and how they will accomplish those goals over time. It is also needed to review and reduce the impact of potential taxes.

Gift planning is accomplished while clients are still alive and involves giving cash or assets to other individuals, typically a family member. Gifts may also be made to a trustee of an Irrevocable Life Insurance Trust (ILIT) to pay life insurance premiums.

When estate planning is completed, it allows clients to select the people who will inherit their assets upon their death and determine the best approach to reduce estate and potential inheritance taxes.

To determine the impact of the taxes, you must first determine the classification of taxpayers.

IMPORTANT:

This information is based on our current understanding of applicable tax laws, regulations and rulings and is subject to change. Neither the company nor its agents provide legal or tax advice. Clients should always seek the opinion of their own legal or tax advisor prior to any transaction. This material is not intended to be used and cannot be used to avoid tax penalties. It was prepared to support the promotion or marketing of the matter addressed in this document.



WHO IS SUBJECT TO THE UNITED STATES ESTATE AND GIFT TAX SYSTEM?

The U.S. tax system recognizes three classifications of taxpayers:*

Citizens: A citizen is born or naturalized in the U.S. and is subject to its jurisdiction. The estate tax is applied to all assets owned, wherever that property is situated in the world. (I.R.C. §2001)

Resident Aliens: A non-citizen who intends to domicile in the U.S. is deemed a “resident alien,” for federal estate and gift tax purposes. Estate and gift taxation is generally the same as U.S. citizens; certain exceptions explained later in this guide. (I.R.C. §2001)

Non-resident Aliens: A non-citizen who does not intend to establish domicile in the U.S. is referred to as a “non-resident alien.” Estate and gift taxes are imposed on assets located in the United States. (I.R.C. §2103)

The U.S. Treasury regulations define “domicile” based on various factors, including:

- Length of time spent in the U.S. and abroad
- Establishment of residence in the U.S.
- Visa status
- U.S. checking and savings accounts
- Location of business interests
- Declaration of residence in deeds, wills and trust arrangements

*I.R.C. §2001 and §2103



What Is the Current Tax Structure?

Annual Exclusion Gifts: Citizens, resident and non-resident aliens can gift up to \$15,000 (as of 2020) annually to a recipient without incurring any gift tax. There is no limit on the number of recipients for gifts. No IRS Gift Tax Return (Form 709) is required for qualifying gifts up to \$15,000.

Gift-Splitting: A married couple can combine their annual exclusion gifts for up to \$30,000 annually per recipient. Gift-splitting is only available to citizens and resident aliens. If gift-splitting is used, an IRS Gift Tax Return (Form 709) must be filed.

Gift Tax Marital Deduction: An unlimited gift tax marital deduction is available for inter-spousal gifts to U.S. citizen spouses. Gifts made to a U.S. citizen spouse from a resident or non-resident alien spouse would qualify for the gift tax marital deduction, but unlimited gifts *to* a non-citizen spouse would not qualify. A marital gift made to a non-citizen spouse qualifies for a special annual gift tax exclusion amount of \$157,000 (as of 2020). Any gift in excess of that amount would be subject to federal gift taxes.

Lifetime Gift Tax Exemption: In addition to the annual gift tax exclusion, U.S. citizens and resident aliens may claim a lifetime gift tax exemption. The current lifetime exemption amount for 2020 is \$11.58 million. Non-resident aliens are not eligible for the lifetime gift tax exemption.

Estate Tax Applicable Exemption: Citizens and resident aliens may claim an estate tax applicable exemption amount — reduced by any annual gift tax exemption that may have been used during their lifetime. The applicable exemption amount for 2020 is \$11.58 million. Non-resident aliens qualify for a lower applicable exemption amount of \$60,000 (I.R.C. §2056(d)).

Estate Tax Marital Deduction: U.S. citizens, resident and non-resident aliens may claim an estate tax marital deduction, but only if the surviving spouse inheriting the property is a U.S. citizen. An exception applies for non-citizen surviving spouses if the property is transferred to a Qualified Domestic Trust (QDOT). The deceased spouse's estate can obtain a deferral of estate tax until the surviving spouse's death.

Irrevocable Life Insurance Trust (ILIT): The estate of U.S. citizens and resident aliens must include all property wherever situated in the world. An ILIT can be designed to be the owner and beneficiary of a life insurance policy to keep the proceeds outside the insured's taxable estate. At the insured's death, the insurance proceeds can be used to provide income or liquidity to pay estate taxes. However, special rules exist for non-resident aliens. For non-resident aliens, the life insurance policy is considered an asset outside of the U.S. and is not included in the U.S. gross estate for tax purposes.

Gift and Estate Tax Treaties: When two or more countries impose gift and estate taxes, double taxation can occur. Tax treaties are designed to establish a taxpayer's domicile to avoid potential double taxation.

The United States has Executed an Estate Tax Treaty with: Australia, Austria, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, Union of South Africa and the United Kingdom. The Canada Income Tax Convention covers issues of taxation at death.



Guidelines for Insuring Foreign Nationals

While we are not licensed to do business in any foreign country, we've developed these guidelines for use when doing business with foreign nationals. The existence of these guidelines does not mean that an application submitted on a foreign national will be accepted. All foreign national applications are subject to individual consideration.

Individuals living in certain countries may pose an unacceptable risk just by residing in that particular country. Countries that pose this type of risk may change due to a variety of uncontrolled factors including, but not limited to: the social, economic, health, political and/or military climate of the country in question.

Also, we do not offer coverage in certain countries due to legal restrictions or U.S. sanctions.

Basic Parameters

- Ages 18-75
- Minimum income of \$100,000 annually and \$2 million net worth (in U.S. dollars)
- May be permanent or term: Minimum issue amount of \$500,000
- Maximum rate class: Table 4
- Some riders may only be available if clients are from an "A" or "B" country (contact your underwriting team for country classifications)
- Best class rating (based on country of residence)
 - "A" country = Premier
 - "B" country = Preferred
 - "C" country = Standard
 - "D" country = Individual Consideration

Limits

- Auto-bind limit of \$25 million
- Jumbo limit of \$35 million



Connection to the United States

The proposed insured and applicant must be a resident alien legally in the U.S. or demonstrate one of the following, in addition to having a physical presence in the U.S. for 15 days in the preceding 12 months:

- An existing substantial business or vocation connection with the U.S., for example, total or partial business ownership or employment in the U.S.
- A close familial relationship with a current legal resident of the U.S.
- Ownership of real property
- A valid student visa (student's country of residence must be acceptable to the company)
- U.S. bank or brokerage account for six months with a minimum balance of \$100,000

Underwriting Requirements

- Minimum requirements (must be done in U.S.)
 - Paramed
 - Blood/urine
 - PHI
- The applicant is responsible for obtaining and paying for all requirements needed from the applicant's foreign country.
- All requirements from the applicant's foreign country must be translated into English by an accredited service at the applicant's expense. Global Atlantic will reimbursement up to \$250 for fees incurred in the translation of documents, if the policy is issued and paid.
- Foreign national customer/producer certification, foreign residence/travel questionnaire, inspection report and photo ID are required.
- Premium finance is permitted at the discretion of Global Atlantic if the applicant has a minimum net worth of \$10 million. Compliance with Global Atlantic's Premium Finance guidelines is required.

Occupation

- Occupation must be:
 - Technical
 - Professional
 - Executive
- Excludes: Political and public figures, government officials, military, police and judicial personnel, missionaries, journalists, high profile figures, aid workers, arms dealers, trade union officials, aviation risks, etc.
- No hazardous occupations or avocations

Solicitation, Application and Delivery Requirements

- All solicitation, including application, underwriting requirements, policy delivery and ongoing communication must occur in the U.S.
- All premiums must be paid in U.S. dollars from a U.S. bank account. All premiums must comply with OFAC and AML procedures.
- All billing notices and policy correspondence must go to a U.S. address.
- The application MUST be completed in the U.S. and in a state where the company is admitted, the agent is duly licensed and appointed, and the product applied for is approved.
- Delivery of the policy must be made in the state where the application was taken. In all cases, a delivery receipt will be required and must accurately reflect the place and date of delivery.
- Proposed insured and applicant must understand English.
- Ownership may be through a trust, partnership, LLP, LLC, corporation or other legal entity domiciled in the U.S. If the owner does not have a SSN or TIN, a W-8BEN form must be completed.
- Delivery to a Power of Attorney is permitted at Global Atlantic's discretion. See Form 20050, Limited Power of Attorney (for Proposed Owner and Proposed Insurance of Life Insurance Policy).

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Global Atlantic was founded at Goldman Sachs in 2004 and separated as an independent company in 2013. Its success is driven by a unique heritage that combines deep product and distribution knowledge with leading investment and risk management, alongside a strong financial foundation.

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