

The Last Tax Loopholes: Two Assets The IRS Doesn't Care About... Yet

From The Editors at Live and Invest Overseas



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By The Editors of Live and Invest Overseas
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You know that, as an American, wherever in the world you go, Uncle Sam requires you to report on your worldwide income and assets. But there are two investments that the government doesn't require you to report. No questions asked. They're simply not interested. What are they?

The First Is Foreign Real Estate

Yes, you can own a second home (whether for investment or personal use) in a foreign country and you are not obliged to inform the U.S. tax authorities.

While new laws may make it easier for the government to get at your bank account overseas, it's a heck of a lot harder for someone (assuming they can track it down in the first place) to physically remove your foreign property. How is a U.S. plaintiff or creditor going to seize your condo in Panama City or your beachfront lot in Belize?

Not Just For The 1%

The beauty of this is that you don't have to be super-rich to take up the idea of buying real estate overseas to protect your wealth. Opportunities to buy land, houses, and apartments, for both investment and personal use, exist at all price levels.

An investment in a piece of property in a foreign country is the smartest thing you could do with your money right now. Like real estate anywhere, foreign property is a hard asset that, unlike stocks (and barring some act of God), can't disappear altogether. Buy right and your real estate investment overseas, like a real estate investment anywhere, can benefit from capital appreciation over time and throw off an annual yield between now and then.

In addition, though, property overseas brings particular advantages that, in the current global financial climate, have become critically important.

Getting Out Of Dodge

A piece of property in a foreign country translates to diversification beyond U.S. markets and outside the U.S. dollar at a time when U.S. investors need this kind of diversification— of market, of currency, and of asset type—more than ever before in our history. No matter how many kinds of investments you hold, if they're all U.S.-based or all U.S. dollar- denominated, you are not diversified. You are at the mercy of U.S. markets and events, and that's a dangerous place to be right now.

Not all world markets are struggling or in recession. Certain places today present great opportunity, especially for the investor in search of a yield, thanks to expanding end-user markets—expanding middle classes, for example, or growing numbers of foreign retirees, international executives, foreign investors, or global entrepreneurs taking up residence.

Meantime, other countries are in all-out. Both scenarios present opportunity for the investor paying attention and ready to act.

An Apartment In Paris Or A Beach House In The Caribbean...

An overseas real estate investment made today for diversification, safety, and an annual rental yield can evolve into your retirement residence when you're eventually ready for that phase of life. Meantime, it can bring immediate personal enjoyment for you and your family. Your diversification and profit plan could take the form of an apartment in Paris, say, or a beach house in the Caribbean, meaning your offshore investment asset could double as your vacation getaway.

The thing to understand right now is that overseas real estate is the smartest, sexiest way to invest your money and makes more sense in the current global climate than perhaps at any time in our lifetimes. It's a key strategy for diversification at a time when diversification is not a sound investment approach but critical to survival.

The very good news is that you can get started investing in real estate overseas with even a very modest capital budget. Lief Simon, Live and Invest Overseas' global real estate investor and consultant, editor of [Simon Letter](#) and the founder of [Global Property Advisor](#), began his career with US\$5,000.

A Much Bigger Objective Than Making Money...

Yes, you can make money this way, over time perhaps a great deal of money. But you'll be accomplishing far more than racking up profits. At a time when it can seem like the world is spinning out of control, you'll be putting yourself firmly in the driver's seat of your and your family's financial future. You'll be positioned for profits in the immediate term (in the form of rental yields), in the mid-term (in the form of capital appreciation), and over the very long haul, building a legacy of wealth that can be enjoyed not only by you but also by your heirs.

And, again, foreign property holdings are one of the few remaining asset classes that can be kept private. An American is not required to report foreign property holdings to the IRS (as long as the property is held in your own name), not even on IRS Form 8938.

What Does The IRS Need To Know?

With IRS Form 8938, you're meant to report foreign financial assets that aren't reported elsewhere. Complete Form 5741 for your offshore corporation, and you don't have to report it on Form 8938. However, if you hold the share certificates of, say, a Canadian mining company outside your brokerage account, then you have to report that on Form 8938 if you meet the threshold.

This relatively new form is a catchall intended to capture information about offshore financial assets that aren't required to be reported on any other IRS form. If you own some offshore entity that requires you to complete a related form (5471 for an offshore corporation or 3520 or 3520-A for an offshore trust, for example), you're already reporting the existence of the asset and don't have to file a Form 8938 for it...if that's the only offshore asset you hold. If you meet the requirements for the form and have additional assets that aren't already being reported elsewhere...then, yes, you need the 8938.

Start by determining whether you meet the requirements for Form 8938 overall. This means understanding the rules and making some calculations.

Does It Apply To You?

First is the fixed number threshold. For those residing in the United States, that number is US\$50,000 of Foreign Financial Assets (FFA) on the last day of the tax year or US\$75,000 of Foreign Financial Assets at any point during the tax year. Those figures are for people filing single, including married people filing separately. The figures double for people filing jointly.

If you don't reside in the United States, then the numbers jump to US\$200,000 of FFA on the last day of the tax year or US\$300,000 at any point during the year. Again, the figures double for people filing jointly.

While the minimum threshold for filing is higher than that for the FBAR form for reporting foreign bank accounts, foreign bank accounts are included in the definition of an FFA. Therefore, even if you don't qualify for the FBAR because you have, say, one bank account overseas with only US\$8,000 in it (the threshold for reporting, remember, is an account with US\$10,000 or more), you would be required to report that bank account on Form 8938 if you meet the requirements for the new form overall.

The Government's Definition Is Key

Foreign financial assets also include stock certificates that you hold directly for foreign corporations even if the corporation doesn't qualify as a U.S.-controlled foreign corporation (USCFC). This could be stocks of a Canadian junior mining stock you purchased directly from the company that now sit in a drawer in your home office.

The catchall part of Form 8938 lies in the definition of foreign financial assets in the instructions for the form as "any financial account maintained by a foreign financial institution" and "to the extent held for investment and not held in a financial account, any stock or securities issued by someone that is not a U.S. person, any interest in a foreign entity, and any financial instrument or contract with an issuer or counterparty that is not a U.S. person."

This definition would include, for example, an offshore life insurance policy that has a cash value. It would not include physical assets held in your own name...such as real estate...

...And The Second "Under-The-Radar" Offshore Asset Class: Precious Metals...

This one may surprise you, but, the truth is, the U.S. government doesn't consider precious metals and money equal.

That is, you can buy gold, silver, platinum...or any other precious metal overseas...and, again, not have to report it to the IRS.

In addition to the more traditional investments real estate and precious metals, foreign art acquired and held abroad and precious gemstones are not reportable to the U.S. IRS, as a foreign trust, IBC, bank, or brokerage account would be. It is therefore possible to maintain a low profile with these items no matter how the ownership is structured, despite the reporting requirements of Form 8938.

Gold has one big advantage over paper money: It isn't paper. Paper money comes, paper money goes, and, as Voltaire put it, "Paper money eventually returns to its intrinsic value—zero.

With devaluing currencies the world over, gold (along with real estate, particularly productive land plays and positive cash flow rentals) is one of the smartest investments you can make right now and one of the safest assets you can hold long-term. Gold has represented real value for thousands of years.

Debate continues about whether physical metal held by a third party qualifies as an FFA. If you have a contract with a third party to store the metal, it could be considered to fall under the catchall definition. However, physical gold is clearly not a financial instrument, so most experts agree that physical metals need not be reported on Form 8938.

The IRS's definition of foreign financial assets stretches to include every and any asset that isn't real estate or precious metals held in your own name, making two of the soundest asset classes throughout history a private, tax-free investment free from the ever-tightening grip of an ever-more belligerent Uncle Sam. If they aren't already, precious metals and foreign real estate should be part of your portfolio.

However, you do need a strategy for where to buy, when to exit, and how to take your profits.

Lief Simon Has Been Making Money Buying And Selling Real Estate All Around The World For More Than 20 years

Lief follows a time-tested, four-strategy process to earn steady and reliable profits over the long haul...to build real wealth over time.

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Lief takes a zero-tolerance position on the conflict of interest a hidden commission agenda would create. He's a plain-talking, straight-shooting guy interested only in building wealth, for himself and, now, for his *Global Property Advisor* members. If you'd like to learn more, [click here](#).

Further Live and Invest Overseas Resources

"Diversify or Die Broke" is the philosophy of Lief Simon, Live and Invest Overseas' resident Offshore Investment Guru. Lief Simon has been living and doing business around the world for the last 20 years. He shares his insights with subscribers to his *Simon Letter*, as well as with members of his VIP subscription service *Global Property Advisor*. The Wealth Building and Diversification Kit includes invaluable advice on banking, tax, residency, citizenship, asset-protection, international business, and offshore investing. More details below...

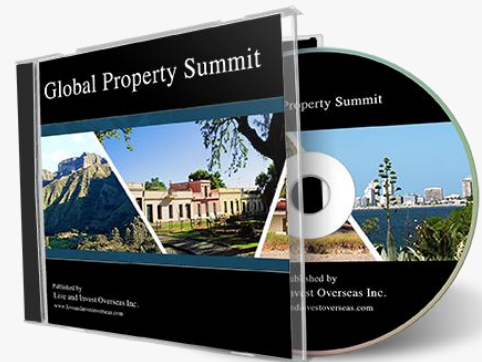
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Lief Simon's Wealth And Diversification Kit

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Global Property Advisor

A portfolio of international real estate holdings should be an important part of your diversification strategy. First, if you're an American, it is one of two assets you can hold offshore without triggering a reporting requirement. Secondly, depending on where you invest, you're diversifying your assets into other currencies... protecting yourself from any potential dollar crisis in the United States.

And perhaps most important, international real estate can become the most lucrative and stable investment of your portfolio holdings. Lief Simon's *Global Property Advisor* service informs you where and how to buy, when to exit, and how to take your profits, following a proven strategy for building real wealth that lasts. Lief has led his readers to a number of remarkably profitable investments in markets from Croatia to Mexico... from Argentina to the coast of Spain... from Romania to Honduras... Now he shares his most promising finds and his unique and extensive experience with members of his *Global Property Advisor*. [Find more here.](#)



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