



## Establishing a U.S. Trust by Global Families

*There is a growing trend to establish a U.S. trust by Foreign Families. Here's why.*

Many international families are now establishing foreign trusts in the United States to provide the ultimate protection for their assets. These foreign trusts are designed to hold offshore assets. Additionally, if the trust holds no U.S. assets, there is no U.S. taxation. The United States remains one of the most stable trust situs for international families.

Some of the more specific and common reasons why international families are looking for U.S. trust situs include:

- Mature and clear U.S. trust and tax laws
- Country stability, legal protection and privacy rights
- **U.S. is not a Common Reporting Standard (CRS) trust jurisdiction\***
- Emigration or possible future emigration to the United States
- Dynasty trust wealth preservation for the next generation
- Generally, no U.S. taxes (income, gift and estate)

\* The Common Reporting Standard (CRS) is an information standard for the automatic exchange of tax and financial information on a global level with over 100+ countries. The United States is the only major country that did not join the CRS and hence it and its financial institutions are not subject to CRS reporting requirements.

Establishing a trust structure can be complex as it needs to be customized to the individual family situation. However, below is a summary overview of a typical U.S. trust structure for foreign families.

### FATA Trust™ ("Foreign Asset Tax-Exempt American Trust")

The FATA Trust™ is established as a foreign grantor or non-grantor trust for U.S. tax purposes and therefore is treated the same as an offshore trust. This is a popular trust for non-resident aliens (NRAs) with foreign beneficiaries and non-U.S. situs assets who are looking for country stability, protection of property, and tax efficiencies in the United States.

Generally, the NRA contributes foreign assets (non U.S. situs assets) to a FATA Trust™ established in the United States. As an example, the foreign asset held by the trust can be a portfolio of large cap securities

traded on the U.S. exchange but are not U.S. companies. This would qualify as non-U.S. situs assets. Because the trust is established in the U.S. and the portfolio is held by a U.S. financial institution, the trust and its investment accounts should not fall under the jurisdiction of CRS from a U.S. perspective.\*\*

Furthermore, since the FATA Trust™ is established by (1) a foreign grantor with (2) a foreign beneficiary and (3) holding non-U.S. assets (ie. portfolio of non-US stocks), there should be no U.S. income, capital gains, gift or estate tax.\*\*

If structured properly, the result is a trust with no taxes and no CRS reporting obligations but established and protected by U.S. trust laws. \*\* See typical structure illustration below.

*(\*\* Please note: NewstarWealth and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice.)*

As outlined above, there are many planning opportunities for international families when choosing the U.S. for their trusts. NewstarWealth provides a one-stop comprehensive service in: family wealth planning, trust establishment, financial institution account opening, investment portfolio strategy and ongoing trust maintenance. In addition, NewstarWealth has partnered with two of the largest financial institutions in the United States for investment services specializing in cross-border situations.

We specialize in custom-tailored financial planning for global individuals and their family corporations. Please do not hesitate to contact us to schedule an in-person meeting. We look forward to sharing our expertise.

### NewstarWealth

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#### Overview of FATA Trust™ structure:

