



ESTATE PLANNING FOR FOREIGN NATIONALS

& THE POWER OF LIFE INSURANCE

In 2026, U.S. Residents have a **\$15M** Estate Tax Exemption

In 2026, Foreign Nationals have only **\$60K** for US Situs property

Overview of Estate Planning

Estate planning is a crucial step for all individuals who are looking to manage and transfer their assets effectively after their death or incapacitation. At its core, estate planning involves creating a legally binding plan that outlines:

- **How your assets are distributed**
- **Who will manage your affairs if you are unable to do so yourself**
- **How your healthcare decisions are made if you are incapacitated**

Estate planning is not just for the wealthy or the elderly. Regardless of your age, income, or family situation, having an estate plan in place is crucial. Everyone knows that life is unpredictable and accidents or unexpected illnesses can occur at any time. Taking proactive steps to plan for the future can ensure that your affairs are in order and that your loved ones are protected, regardless of what may happen. Remember, estate planning is not just about preparing for the end; it's about securing your legacy and ensuring a brighter future for your loved ones.

Estate Planning for Foreign Nationals

Did you know that 51.6 million foreign nationals live in the United States, representing 15.6 percent of the population? Given this statistic, it is reasonable to say that many face estate planning challenges due to differing regulations, legal systems, and tax rules between their home country and the U.S. Navigating these complexities requires a thorough understanding of both domestic and international estate planning principles. In addition, double taxation remains another challenge foreign nationals may encounter. Without proper planning, foreign nationals may be subject to estate taxes in both the U.S. and their home country. To reduce this risk, it is essential to understand any applicable tax treaties between the U.S. and the country of origin, which may provide relief through credits or exemptions.

The Integration of Life Insurance & Estate Planning

Life insurance is an estate planning tool that can provide significant benefits for foreign nationals who own U.S. situs assets. These situs assets, including investments such as stocks, bonds, and real estate holdings, may be exposed to future U.S. gift and estate taxes. When foreign nationals invest in the United States, whether through real estate, tangible property, business interests, or stock in U.S.-based companies, they face potential exposure to U.S. estate tax liabilities.

In 2026, U.S. citizens and residents are expected to have an estate and gift tax exemption of approximately \$7 million per individual. In contrast, foreign national investors continue to receive only a \$60,000 exemption on U.S. situs assets. This significant disparity means that U.S. situs assets exceeding \$60,000 may be subject to estate taxes of up to 40 percent, based on current federal estate tax rates.

To address this issue, insurance carriers have developed programs specifically designed for foreign nationals with ties to the United States. These connections can take many forms, including real estate ownership, business interests, U.S. residency, or maintaining U.S. bank accounts. Foreign nationals with potential U.S. estate tax exposure may qualify for permanent life insurance coverage based on these connections.

Life insurance coverage is often structured through Irrevocable Life Insurance Trusts, commonly referred to as ILITs. These trusts allow life insurance proceeds to remain outside of the taxable estate while ensuring that benefits are distributed according to the insured's intentions. ILITs must be irrevocable, meaning the insured cannot modify or undo the trust once established. In estate planning, ILITs are frequently used to provide liquidity to cover estate tax obligations, while also supporting broader financial goals such as business planning, income protection, and long-term asset allocation.

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The Role of Life Insurance in Estate Planning

Here are several reasons why life insurance is particularly beneficial:

- 1. Liquidity:** One of the primary advantages of life insurance is the liquidity it provides. Upon the insured's death, life insurance proceeds are typically paid to beneficiaries in a timely manner. This immediate liquidity can be critical in 2026 for covering estate taxes, outstanding debts, and administrative expenses without requiring the forced sale of illiquid assets such as real estate, closely held businesses, or long-term investments.
- 2. Tax Efficiency:** Life insurance proceeds are generally not subject to income tax, making them an efficient vehicle for transferring wealth. For Non-Resident Aliens, life insurance can also help reduce exposure to U.S. estate taxes. When properly structured, life insurance policies may be excluded from the insured's taxable estate, thereby lowering the overall estate tax burden.
- 3. Wealth Preservation:** Life insurance can function as a powerful wealth preservation tool, helping ensure that a foreign national's assets are protected and transferred according to their wishes. This is especially important for individuals with sizable estates who want to preserve wealth and provide financial security for future generations.
- 4. Cross-Border Planning:** Life insurance can support effective cross-border estate planning by accommodating the legal and tax requirements of both the United States and the foreign national's home country. This flexibility helps ensure that estate planning objectives are met regardless of jurisdiction, residency status, or changes in tax law.
- 5. Estate Equalization:** For foreign nationals with multiple heirs or beneficiaries, life insurance can be used to equalize inheritances. This is particularly useful when the estate includes illiquid or indivisible assets. Life insurance proceeds can help create a more balanced and equitable distribution among beneficiaries.

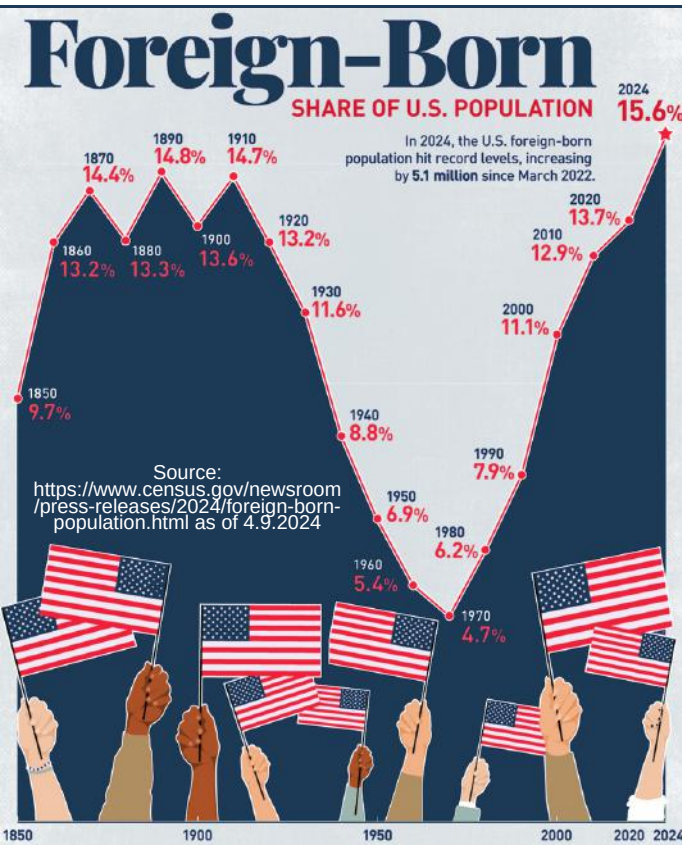
Conclusion

If you are a foreign national in the United States, you should be aware that estate planning is a complex process. It requires careful consideration of legal, tax, and financial factors. When foreign nationals incorporate life insurance into their estate planning strategy, it may help manage assets, minimize tax liabilities, and ensure that wealth is transferred according to one's wishes.

Speak with an Asset Strategy Advisor to discuss what life insurance may accomplish for your legacy and estate plan.



Call 781-235-4426 or visit www.assetstrategy.com/contact to set up a 15-Minute Discovery Call Today!



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