

*2026 guide*

# THE GUIDE TO MOVING ABROAD FROM THE USA

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What Americans Must Know  
About Taxes, 401(k)/IRA  
Plans, Investments, Social  
Security, Inheritance & Estate  
Planning

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Relocating abroad is an exciting opportunity—but for Americans, the financial and legal implications are more complex than for almost any other nationality. Because the United States taxes citizens regardless of where they live, moving abroad requires smart planning to avoid double taxation, penalties, or unexpected problems with your retirement funds and investments.

This guide outlines everything a US citizen or long-term US resident must consider before moving overseas.

## HOW US TAXATION WORKS WHEN YOU LIVE ABROAD

### You Must Still File a U.S. Tax Return Every Year

Unlike most countries, the USA taxes:

- Citizens
- Green card holders
- US-domiciled trusts & corporations

...on worldwide income, even if you live permanently abroad.

Every year, you will still file:

- Form 1040 – personal US tax return
- Schedules 1, B, D, E etc. depending on your income
- FBAR (FinCEN 114) – if foreign accounts exceed \$10,000
- FATCA Form 8938 – if foreign assets exceed IRS thresholds

You cannot stop filing unless you formally renounce citizenship or surrender a green card.

### Foreign Earned Income Exclusion (FEIE)

If you work abroad, you may exclude up to ~\$130,000 of earned income under:

- Physical Presence Test (330 days per 12 months)
- Bona Fide Residence Test

This does NOT apply to pensions, Social Security, dividends, rental income, or capital gains.

## Foreign Tax Credit (FTC)

If you pay tax overseas, you may claim a credit to reduce your US tax bill.

This normally prevents double taxation on:

- Salary
- Business income
- Dividends
- Capital gains
- Some pensions

## State Taxes

Some US states continue to tax you unless you formally sever ties.

California, New Mexico, South Carolina, and Virginia are the strictest.

You must change:

- Driver's license
- Voter registration
- Domicile declaration
- Property ownership
- Mailing address

# HEALTHCARE, MEDICARE & INSURANCE ABROAD

## Medicare Does NOT Cover You Abroad

Except in very rare border emergency cases, Medicare provides zero coverage overseas.

You have two choices:

- Keep Medicare Part B to: Essential to avoid late enrollment penalties if you might return to the U.S
- Or drop it if you don't plan to return to the USA (risky)

Most expats use:

- Local national healthcare (after residency)
- International private health insurance
- Expat insurance plans
- Travel insurance for early months

# US RETIREMENT PLANS ABROAD (401(K), IRA, ROTH IRA)

Your 401(k) or IRA remains in the USA when you move abroad. But the rules change.

## Traditional 401(k) & IRA

Withdrawals in retirement are generally subject to US federal tax, no matter where you live.

### Key considerations:

- Your host country may also tax withdrawals depending on tax treaty rules.
- Required Minimum Distributions (RMDs) still apply at age 73+ (unless changed by law).
- Early withdrawals still incur 10% penalties unless an exception applies.
- You cannot rollover a US retirement funds into a foreign pension

### Taxation Abroad

Whether your 401(k)/IRA is taxed again abroad depends on your destination's treaty:

- Some countries tax it heavily
- Some countries exempt or reduce tax.
- Some follow the US lead and only tax US-source retirement accounts.

## Roth IRA & Roth 401(k)

Roth accounts remain tax-free in the USA upon qualified withdrawal.

BUT—many foreign countries do not recognise the Roth tax-free status.

You may be taxed abroad if:

- You withdraw from a Roth account
- You are considered tax resident in a country without treaty protection
- The foreign tax authority treats your contribution as a taxable investment account

Never contribute to a Roth once abroad unless you fully understand cross-border rules.

## Rolling Over Before You Move

**Most Americans simplify their retirement structure before leaving:**

- Consolidate multiple 401(k)s into one IRA
- Convert some assets to a Roth (Roth conversion) during a low-income year
- Move volatile investments into more stable allocations during international transition

**This helps with:**

- Tax planning
- Lower admin fees
- Easier management from overseas
- Streamlined RMD calculations

## US SOCIAL SECURITY WHEN LIVING ABROAD

### **You Can Receive Social Security in Almost Any Country**

The SSA will send payments to over 160+ countries, with only a few exceptions (Cuba, North Korea, and restricted zones).

### **How Social Security Is Taxed Abroad**

Two layers exist:

1. US taxation – Up to 85% of benefits taxable depending on your total income
2. Foreign taxation – Depends on tax treaty

Some countries tax US Social Security; others exempt it.

### **Totalisation Agreements**

If you worked overseas, the USA has agreements with 30 countries to:

- Avoid double Social Security payments
- Combine work credits for eligibility

Countries include the UK, most of Western Europe, Australia, Chile, South Korea, Japan, etc.

# INVESTMENTS & BANKING WHEN YOU LIVE ABROAD

This is one area where Americans face the most restrictions and pitfalls.

## PFIC Rules: The Biggest Trap for US Expats

Non-US mutual funds are classified as PFICs (Passive Foreign Investment Companies).

Owning PFICs can result in:

- Punitive tax rates
- Annual excess distribution charges
- Form 8621 filings
- Capital gains treated as ordinary income

Avoid foreign mutual funds, ETFs, SICAVs, UCITS funds, and local robo-advisors.

Stick with:

- US brokerage accounts
- US ETFs and US mutual funds
- US-based managed portfolios
- Direct stocks or bonds

## Brokerage Access Issues

Some US brokers restrict accounts if you live abroad:

- Vanguard often freezes accounts
- Fidelity may limit services depending on the country
- Merrill Edge and E\*TRADE may close accounts when you change address

Most expats keep accounts with:

- Charles Schwab International
- Interactive Brokers
- Fidelity (if allowed)
- TD Ameritrade (legacy accounts)

## Foreign Bank Accounts & Reporting

You must report foreign financial accounts annually:

- FBAR (FinCEN 114) – if all foreign accounts exceed \$10,000 combined
- FATCA Form 8938 – additional requirements for foreign assets

Penalties are severe if you forget to file.

# INHERITANCE, ESTATE PLANNING & GIFTING RULES

Estate planning becomes more complex when assets and heirs are spread across countries.

## US Estate Tax Still Applies

**As a US citizen, your worldwide estate is subject to US federal estate tax above the exemption.**

- 2025 Exemption: For 2025, the federal estate and gift tax exemption is \$13.99 million per individual (or \$27.98 million for a married couple).
- 2026 Exemption: Effective January 1, 2026, the exemption is permanently increased to \$15 million per individual (doubling to \$30 million for married couples), with future adjustments indexed annually for inflation.
- No Sunset Provision: The OBBBA specifically repealed the sunset provision of the 2017 Tax Cuts and Jobs Act (TCJA) that would have otherwise caused the exemption to revert to pre-TCJA levels
- Anti-Clawback Rule: Existing IRS regulations clarify that individuals who made gifts under the higher TCJA exemption amounts before the OBBBA was passed will not be adversely impacted or subject to a "clawback" tax when the exemption was originally scheduled to drop.

## Gifting Rules

**US gifting limits still apply:**

- Annual Exclusion: You can gift up to \$19,000 to any number of individuals without having to file a gift tax return or use any of your lifetime exemption.
- Unlimited Spousal Gifts (U.S. Citizen Spouse): There is an unlimited marital deduction for gifts made to a spouse who is a U.S. citizen, meaning such gifts are not subject to federal gift tax.
- Special Limit for Non-U.S. Citizen Spouses: Gifts to a non-U.S. citizen spouse are subject to an annual exclusion amount, which is \$194,000 for 2025. Gifts above this amount may be taxable, but the excess can be applied against the donor's lifetime exemption.
- Lifetime exemption: The combined gift and estate tax lifetime exemption is \$15 million per individual (or \$30 million for a married couple) for 2026. Amounts gifted above the annual exclusion threshold reduce this lifetime exemption, but typically do not result in immediate tax unless the lifetime limit is exceeded.

## Wills & Local Probate

You may need:

1. A US will for US-held assets
2. A foreign will for assets abroad

Some countries impose:

- Forced heirship laws (France, Spain, Italy)
- Automatic share allocation to children
- Default marital property regimes

Cross-border estate planning is essential as US wills can still be used in countries that have forced heirship rules if done correctly.

## RENOUNCING US CITIZENSHIP (A SIGNIFICANT, IRREVOCABLE DECISION)

Some long-term expats consider renouncing US citizenship to:

- Escape lifelong US tax filing
- Simplify investing
- Remove FATCA complications

But renunciation includes:

- \$2,350 fee
- Possible Exit Tax
- Permanent loss of automatic right to live/work in the USA
- Ongoing US inheritance tax considerations

Given the complexities surrounding tax law (IRS Publication 514, "Foreign Tax Credit") and immigration law, consulting both a qualified U.S. tax attorney/CPA and an immigration lawyer specializing in expatriation is highly recommended before starting the process.

# PRACTICAL STEPS BEFORE YOU LEAVE THE USA

## Financial Checklist

- Update beneficiary designations
- Consolidate retirement accounts
- Choose expat-friendly brokerage
- Review currency needs
- Prepare for FBAR/FATCA
- Obtain 5–10 years of tax records
- Notify bank/credit card providers

## Tax Planning Checklist

- Understand treaty rules
- Plan Roth conversions prior to leaving if applicable
- Reduce or eliminate future state tax obligations
- Consider timing of income and capital gains
- Decide whether to keep or sell US property

## Legal & Documentation Checklist

- US will + international will review
- Apostilled documents
- Marriage and birth certificates
- Social Security records
- Medical history and insurance

## CHOOSING A COUNTRY: KEY FINANCIAL QUESTIONS

### Before selecting a destination, ask:

- Does the country tax US pensions?
- Does the country tax Roth accounts?
- Does it recognise US trusts?
- Is there a tax treaty with the USA?
- Are US investments allowed?
- What is the cost of healthcare?
- Are there forced heirship laws?

Countries vary dramatically in their treatment of US citizens' finances.

## MOVING ABROAD AS AN AMERICAN REQUIRES SMART PLANNING

Americans enjoy enormous flexibility when moving abroad—but with more financial complexity than almost any other nationality. With proper planning around:

- 401(k) / 457b / 403b / TIAA / IRA / Roth IRA
- Social Security
- US taxation and state residency
- PFICs and investment restrictions
- Estate and inheritance laws
- Healthcare and Medicare
- FBAR/FATCA reporting

...you can relocate smoothly and enjoy a financially secure life overseas.

# MAJOR CHANGES IN 2026

THAT AMERICANS MOVING  
ABROAD NEED TO PREPARE FOR

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# INDIVIDUAL INCOME TAX RATES ARE SET TO INCREASE

Tax brackets created under the TCJA expire at the end of 2025.

What's likely to happen in 2026:

- All tax brackets will revert to higher pre-2018 levels
- The top bracket returns to 39.6%
- Other brackets increase by 1–4%

This affects expats who:

- Have US-source income
- Take withdrawals from 401(k)/IRA
- Work remotely for US employers
- Have rental income, dividends, capital gains

Consider Roth conversions in 2024–2025 before rates rise.

# STANDARD DEDUCTION WILL FALL ~50% + PERSONAL EXEMPTIONS RETURN

Current: High standard deduction (approx. \$27k for couples)

After 2026:

- Standard deduction drops
- Personal exemptions return

Impact on expats:

- More income becomes taxable
- More complex filing for Americans abroad
- FEIE (Foreign Earned Income Exclusion) becomes more valuable
- Couples with children abroad may benefit from exemptions depending on residency rules

## CHILD TAX CREDIT WILL SHRINK

**Currently: up to \$2,000 per child**

After 2026: expected to drop back to \$1,000 (pre-TCJA level)

For expats, especially those with children abroad, the refundable portion will also be reduced.

## SALT DEDUCTION LIMIT (\$10,000 CAP) MAY EXPIRE

The \$10k cap on state & local tax deductions expires end of 2025.

After 2026:

- The cap may disappear or be replaced
- Outcome depends on Congress

Potential benefit for expats:

- If you still pay US state taxes (CA, VA, etc.), deductibility could improve.

## 20% QBI DEDUCTION (QUALIFIED BUSINESS INCOME) ENDS

Expats with US businesses (LLC, S-Corp, sole proprietors) lose the 20% QBI deduction in 2026.

Impact:

- Higher tax bills for digital nomads
- Higher tax for overseas consultants working for US clients
- Expats running US online businesses pay more

## TAXATION OF GILTI (GLOBAL INTANGIBLE LOW-TAXED INCOME) CHANGES

For Americans owning foreign companies:

- The favourable 50% GILTI deduction may expire
- Taxation of foreign corporations may increase
- More CFC rules may apply

This affects:

- Expats with foreign businesses
- Entrepreneurs with overseas operations
- Digital nomads running foreign entities

## FOREIGN TAX CREDIT (FTC) RELIEF MAY TIGHTEN FURTHER

**The IRS already tightened FTC rules in 2022–2024.**

More changes may arrive in 2026 affecting:

- Creditability of foreign taxes
- Double taxation exposure
- Hybrid income rules

Expats in high-tax countries (France, Spain, Italy, Belgium, Denmark) may be affected.

## REDUCED DEDUCTIBILITY OF MORTGAGE INTEREST & MISC. DEDUCTIONS CHANGES

These deductions are scheduled to return to pre-2018 rules, including:

- Miscellaneous itemized deductions (subject to 2% of AGI floor)
- Broader mortgage interest deductibility
- Moving expense deductions (for certain situations, including some international moves)

For Expats:

- Expats who relocate for work may once again deduct qualified moving expenses
- Those with US property may regain larger mortgage interest deductions
- Individuals with advisory, investment, or employment-related costs may be able to deduct them again
- Tax filing becomes more complex but potentially more favourable

## US ESTATE TAX STILL APPLIES

As a US citizen, your worldwide estate is subject to US federal estate tax above the exemption.

- 2025 Exemption: For 2025, the federal estate and gift tax exemption is \$13.99 million per individual (or \$27.98 million for a married couple).
- 2026 Exemption: Effective January 1, 2026, the exemption is permanently increased to \$15 million per individual (doubling to \$30 million for married couples), with future adjustments indexed annually for inflation.

For Expats:

Understanding the tax treaty is very important

# THE MOST IMPORTANT 2026 CHANGES FOR AMERICANS ABROAD

1. Estate tax will go up in 2026, and the impact for expats will depend on the tax treaty and local rules.
2. Income tax rates will increase in 2026, meaning expats may pay more tax on pensions, US income, and withdrawals.
3. Roth conversions will become more expensive in 2026, so expats may benefit from converting in 2025.
4. The standard deduction will drop significantly in 2026, resulting in more taxable income for expats.
5. The child tax credit will decrease in 2026, affecting families living abroad.
6. The SALT deduction cap may disappear in 2026, which could benefit expats with US real estate or state ties.
7. The QBI deduction will end in 2026, increasing taxes for expats with US businesses.
8. The gift tax exemption will rise in 2026, though exposure for expats depends on tax treaties and local rules, and some countries charge gift tax during life.
9. CFC/GILTI rules will tighten in 2026, affecting expats who own foreign companies.



## WHO ARE SJB US?

SJB US is a specialist financial planning firm helping US and non-US residents with cross-border financial planning needs, with offices in both the United States and the European Union.

Their mission is to simplify the complexities of international wealth management, tax planning, retirement strategies, and investment structuring for clients who have financial interests across multiple jurisdictions. SJB US offers tailored cross-border financial planning, including:

- **International investment management across the EU to globally.**
- **Cross-border tax planning ensuring tax efficiency under multiple jurisdictions.**
- **Retirement and pension strategies, including 401(k), IRA, and overseas pension integration.**
  - **Estate and inheritance planning aligned with global regulations.**
  - **Cash flow and wealth structuring to protect and grow assets globally.**
- **They help clients navigate tax treaties, pension rules, and investment regulations while aligning financial goals with compliant, cost-efficient solutions.**

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### QUALIFICATIONS

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SJB US is an independently owned company, which means we always act in the interest of the client rather than the shareholders. The institutions we choose to work with are based in some of the most highly regulated and tax-efficient jurisdictions worldwide, and with some of the highest credit ratings and reputations.

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SJB US is a young, innovative and dynamic independent financial advice provider with a truly global outlook. As specialists in the field, we provide a unique cross border advice service between the US and the rest of the world, enabling us to tailor your own plan to your own situation.

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**Our team of specialised advisors is ready to assist you on your journey to financial freedom.**

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