SYMETRA®
RETIREMENT | BENEFITS | LIFE

CLIENT PROFILE

High-net-worth foreign national market

Non-resident aliens

Help provide financial security for non-resident alien clients with U.S.-based life insurance

Who is a non-resident alien?

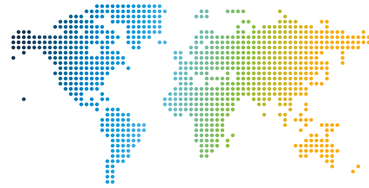
Non-resident aliens (NRAs) are citizens of foreign countries who temporarily live in the U.S. and to do not intend to make it a permanent residence. Even though much of their net worth may be outside the U.S., NRAs are subject to a unique set of U.S. gift and estate tax rules on their U.S.-based assets, which can make planning more complicated for NRAs than for U.S. citizens. Key tax considerations for NRAs include:

- Gift and estate taxes are subject only to their U.S.-based assets, not to other assets based outside of the U.S.
- Intangible assets based inside the U.S. are generally not subject to U.S. gift or estate taxes. Only tangible and real assets situated in the U.S. are subject to U.S. gift tax when transferred during the NRA's lifetime, and transfers upon death are subject to U.S. estate taxes.
- Life insurance policies issued by U.S.-based life insurance companies are generally recognized as intangible assets. When the NRA is both the insured and owner of the policy, transfers during their lifetime and the payment of death benefit proceeds from the insurer upon the insured's death are generally exempt from taxes to the beneficiary.
- Life insurance death benefit proceeds are generally free of federal income tax under IRC Section 101.
- The U.S. gift and estate tax exemptions of $12.92 million in 2023 are not available for NRAs to reduce their U.S. gift and estate taxes. The exemption amount for NRAs is limited to $60,000 of assets situated in the U.S., and it is not indexed for inflation. This converts into a unified credit of $13,000 against any estate tax due.[1]
- The U.S. gift tax or estate tax marital deduction is not available for assets passed on to an NRA's spouse unless the spouse is either a U.S. citizen or assets are transferred through a qualified domestic trust (QDOT).[2]

The value of life insurance

Life insurance issued from a U.S.-based life insurer can help provide NRAs with several financial solutions. Spouses and/or dependent children can receive financial security from a life insurance policy insuring the NRA's life. The life insurance policy can also help pay off outstanding mortgages or debts, supplement their income during retirement, and provide college funding. An NRA could also purchase a U.S. life insurance policy to provide liquidity to pay U.S. estate taxes, and a U.S.-based insurer may provide a better value proposition or be more financially stable than an insurer in their home country.

NRAs with tangible U.S.-based assets worth more than $60,000 may have U.S. estate tax issues upon their death. A life insurance policy issued by a U.S.-based insurer could potentially provide an NRA's estate with liquidity to pay any estate tax due. The death benefit proceeds will likely not be subject to both U.S. federal income and estate taxes to the beneficiary if the insured NRA owns the policy, and the after-tax inheritance an NRA could pass along to beneficiaries could increase.



How could U.S. estate taxes affect a non-resident alien's estate?

Meet Tom Lin

PROFILE

Client: Purchased U.S. real estate worth $5 million

Status: Non-resident alien

Net estate tax: $1,932,800

Net estate: $3,067,200

Situation

Tom Lin is a non-resident alien (NRA) who frequently visits Santa Monica, California, for business and pleasure. He owns real estate in Santa Monica worth $5 million to reside in when travelling to California. Assuming there is no growth in his real estate and he has no other real or tangible assets situated in the U.S., upon his death, his estate will be subject to U.S. estate tax of about $1,932,800—nearly 40% of the value of his U.S.-based assets.

Hypothetical effect of U.S. estate taxes on Tom Lin's $5 million estate:

- Tentative estate tax: $1,945,800
- Less estate tax credit (equal to $60,000 exemption): $13,000
- Net estate tax: $1,932,800
- Net estate: $3,067,200

Solution

Life insurance death benefit proceeds are generally exempt from U.S. income and estate taxes to the beneficiary, which allows Tom Lin to own a policy on himself from a U.S.-based life insurer without federal income gift or estate tax consequences.[3] The death proceeds could help his estate pay U.S. estate taxes due upon his death.

While existing tax treaties could provide some relief from gift and estate taxes, planning for NRAs can be complex as they may have to pay both U.S. and foreign estate taxes on their U.S.-based assets. NRAs should consult with their tax and legal advisors to create plans for their unique situations.

This hypothetical case study is based on a non-resident alien male who owns U.S. real estate worth $5 million upon his death, and assumes no projected growth. Actual results may vary on an individual basis.

Important information: This material is not intended to and cannot be used to avoid tax penalties. It was prepared to support the promotion or marketing of the matters addressed in this brochure. Each taxpayer should seek advice from an independent tax professional.

Neither Symetra Life Insurance Company nor any of its affiliates, insurance producers or advisors give tax or legal advice. This information is general in nature and not comprehensive. The applicable laws may change and the strategies suggested may not be suitable for everyone. Clients should consult their attorneys or tax professionals regarding their individual situations.

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Non-resident alien U.S. gift and estate tax summary

Transfers during lifetime (gifts)		Transfers upon death	
Real and **tangible** property situated in the U.S.	**Intangible** property situated in the U.S. and other property located outside the U.S.	Property situated **inside** the U.S. (U.S. situs property)	Property situated **outside** the U.S.
↓	↓	↓	↓
Subject to U.S. gift tax if not a present interest gift or exceeds the $15,000 annual exclusion[4]	**Not subject to U.S. gift tax**	**Subject** to U.S. estate tax when property exceeds $60,000 (not indexed for inflation)	**Not subject to U.S. estate tax**

Understanding property sited in the U.S.

Generally includes:

- Real estate situated in the U.S.
- Stocks of a U.S. corporation
- U.S. bank deposits for trade or business
- Tangible personal property in the U.S. (e.g., artwork, antiques, jewelry, etc.)
- Retained or beneficial interest in a trust (includes foreign trusts)

Generally excludes:

- U.S. personal bank deposits
- Stocks of businesses incorporated outside the U.S.
- Death benefit from a U.S. life insurance policy on a decedent's life[5]
- Some U.S. treasury debt of obligations

For more information about our program, please review our program guidelines or contact Symetra's Life Sales Desk at 1-877-737-3611 or lifesales@symetra.com.

Life insurance is issued by Symetra Life Insurance Company, 777 108th Ave NE, Suite 1200, Bellevue, WA 98004. Products are not available in all U.S. states or any U.S. territory.

Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company.

This is not a complete description of Symetra's high-net-worth foreign national (HNWFN) market program. It may have new or amended rules and restrictions and is subject to change in order to be compliant with requirements in the client's home jurisdiction. The program is subject to change without notice.

[1] A unified credit of $13,000 is available to an NRA. See IRC §2102(c).

[2] For more information on Qualified Domestic Trusts, refer to IRC §2056(d).

[3] In cases where the NRA decedent owns a policy situated in the U.S. on the life of another individual, then the policy may be included in the NRA's gross estate for U.S. estate tax purposes.

[4] An annual gift tax exclusion of $175,000 in 2023 is available for present interest gifts to a non-U.S. citizen spouse who would be qualified for the martial deduction if he/she were a U.S. citizen. See Rev Proc 2018-57 and IRC §2523(i)(2).

[5] Life insurance proceeds on the life of an NRA are not U.S. situs property and are not included in decedent's gross estate. See IRC §2105(a) and Tres. Reg. §20.2105.

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