



# Cross-Border Canadian Departure Checklist When Moving to the U.S.

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Canadians become permanent residents of the U.S. for many personal and professional reasons. Prior to a move, it's important to be organized and understand that significant differences exist between Canada and the U.S. when it comes to cross-border financial planning and investment matters. The following actionable items should be considered when cross-border transition planning from Canada to the U.S.

- 1 **Notification** – You should send letters containing your updated address and residency information to your financial institutions such as brokerage firms, banks and life insurance companies.
- 2 **Income Tax** – A qualified team should review and analyze the tax implications of your pending move.
  - U.S. Tax Filing Implications** – Federal and state tax laws as well as tax rulings should be researched to optimize pre and post relocation tax planning strategies. It's important to note that cross-border tax planning needs differ for Canadians living in California, Texas, Arizona and other states.
  - Brokerage Accounts** – From a Canadian tax perspective, non-registered brokerage accounts will be “deemed disposed of” as of the date your exit from Canada takes place. Your holdings will be considered sold regardless of any transactions being completed. When possible, capital losses can offset capital gains on your Canadian exit tax return.

From a U.S. tax perspective, your non-registered brokerage account holdings become taxable when you establish U.S. residency. However, a “deemed disposition” is not observed and your original cost basis carries over as a U.S. taxpayer. Therefore, it might be beneficial to liquidate some or all of your holdings prior to exiting Canada. Once you become a U.S. taxpayer, there is potential to offset realized capital gains with losses. U.S. taxpayers are eligible to claim \$3,000 USD annually in capital losses against ordinary income (such as wages) when married filing jointly returns are prepared. Any remaining capital losses can be carried forward to future years without restriction. It’s a good idea to maintain investment account statements for U.S. tax purposes.

- RRSPs and LIRAs** – From a Canadian tax perspective, there is no “deemed disposition” upon exiting Canada. However, any lump-sum withdrawals from these accounts will be subject to a 25% withholding tax by the Canadian Revenue Agency or a 15% withholding tax when converted to a RRIF when periodic distributions are made.

For U.S. tax purposes, registered accounts become fully taxable upon entering the U.S. However, they can continue to grow tax free in most circumstances until distributions are taken. A thoughtful strategy is to step-up the value of your Canadian RRSPs prior to departure by liquidating securities. In any event, you should maintain your statements for U.S. tax purposes.



**1 RRSP Trading** – Some U.S. states permit authorized trading on behalf of an RRSP owner even though the owner is a U.S. resident, however, the following criteria must be met. The Canadian broker-dealer must:

- Be a Canadian resident.
- Have no office or other physical presence in this state.
- Only effect or attempt to effect transactions in securities:
  - With or for a person from Canada who is temporarily present in this state and with whom the Canadian broker-dealer had a bona fide business-client relationship before the person entered this state.

or

- With or for a person from Canada who is present in this state and whose transactions are in a self-directed and tax-advantaged retirement plan in Canada with which the person is the holder or contributor.
- Be a member in good standing of a self-regulatory organization or stock exchange in Canada.
  - Maintain provincial or territorial registrations and membership in a self-regulatory organization or stock exchange in good standing.
  - Not be in violation of the anti-fraud laws of the state in connection with any securities transactions therein.

**2 Brokerage Account Trading** – Canadian non-registered brokerage accounts should be closed and the proceeds transitioned to the U.S. Most Canadian-based registered advisors and investment firms are not legally licensed to oversee non-registered investment accounts on behalf of U.S. residents.



Further, many U.S.-based registered advisors are not well versed in building out investment portfolios denominated in Canadian dollars. Ensure you seek a cross-border advisor with securities licenses in both Canada and the U.S. who are experienced in building integrated investment portfolios denominated in both currencies.

**3 Consolidate Accounts** – Managing Canadian and U.S. based accounts simultaneously is often complicated for many reasons. Account consolidation is one strategy to help mitigate those complications. Initiating new account paperwork and transfers prior to a move to the U.S. is worth considering. Doing so can ease administration burdens such as foreign account reporting and cross-border tax withholding requirements.

**4 Automobile** – Disposing of an automobile in Canada prior to a move is advisable for several reasons:

- The speedometer and odometer are in kilometers. The cost to switch to miles is approximately \$1,200 USD.
- Canadian automobiles are subject to U.S. emission standards shortly after arrival in the U.S.
- The typical registration requirement of a Canadian automobile is within 30 days of arrival to your new state of residence.
- Inspections to verify ownership are often cumbersome.

It's helpful to register and insure your Canadian automobile within 30 days of transitioning to the U.S. This can be accomplished by forwarding a termination letter to your existing auto insurance company. Your Canadian registration should be returned to the issuer with notification of your U.S. residency.



**5 Canada Health Care** – It's important to contact your Canadian health care provider and notify them that you are no longer a Canadian resident once your U.S. health care is available.



- 6 **Driver's License** – Once a U.S. driver's license is obtained, you can cancel your Canadian driver's license and inform the issuer that you are no longer a resident of Canada. Another option is to allow the Canadian driver's license to lapse when an expiration date is a short time away.
- 7 **Memberships** – It's a good idea to cancel memberships with churches, clubs, professional associations, etc. All should be informed of your permanent relocation to the U.S. When possible, you can request a refund for unused membership dues.
- 8 **Subscriptions** – You should cancel all magazine and newspaper subscriptions as well as terminate safety deposit boxes.
- 9 **Personal Items** – It's important to transition personal property, collectibles and or other valuables to the U.S. during your move or shortly after. It's best not to permanently store items in Canada.
- 10 **Estate Plan** – A comprehensive estate plan including wills and POAs should be updated with a local attorney within your new state of residency. Canadian based estate planning documents are often not valid or useful for U.S. residents. There are certain Canadian documents such as health care directives and POAs that can be added to an overall Canada U.S. cross-border estate plan.
- 11 **Canadian Exit Tax and US Tax Filings** – Specific Canadian tax filings must be completed by April 30th following the year of exit. Any tax owed to Canada must be paid at this time. In addition, a U.S. return is due on April 15th of the year following your entry to the U.S. It's common to postpone the U.S. filing past April 15th by filing an extension. Please note that strict foreign account reporting requirements exist when filing U.S. returns.

As the preceding list shows, making a permanent move from Canada to the U.S. is a complicated undertaking and careful planning and preparation will be crucial to your success. When it comes to moving your finances, mistakes in timing or missed deadlines can result in additional taxes and/or penalties. Finding a good [cross-border financial planner](#) can help with the more complicated aspects of such a move and can go a long way towards making your transition to the U.S. a successful one.

**Contact Cardinal Point for more information**

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