

FALL 2009 E-UPDATE NEWSLETTER

2010 Cross-Border Living Workshops

Phoenix, AZ — January 26

Rancho Mirage, CA — February 2

Naples, FL — February 9

Manalapan (Palm Beach), FL — February 11

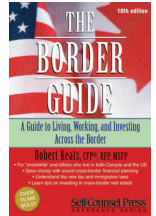
Bob Keats' 10th Edition—The Border Guide

—on bookstands now and available online

Visit our websites at

www.theborderguide.com

www.keatsconnelly.com



Widows and Widowers of U.S. Citizens under U.S. Immigration Rules —by Brad Flecke, Senior Planner

Marrying a U.S. citizen is, for many, the Golden Overpass that allows a lucky individual to avoid many, if not most of the delays, potholes, dead ends, and assorted headaches associated with the U.S. residency process.

But what if the U.S. citizen spouse dies before immigration papers can be filed or approved? The sad stories surrounding this situation are legion. And they are often true. The grieving young widow (with a U.S. citizen infant) facing deportation is not an urban legend. Neither is the story about the widow and widower who met on a golf course at 75, fell in love, married, began a new life in the U.S.—only to have the newlywed husband die on the same golf course, forcing the grieving second time widow to pack her bags and return to her home country alone.

(Continued on Page 2)

Investing in Foreign Securities and Currency

—by John Rice, Staff Planner



From time to time we get the question as to how foreign stock positions can really be invested in foreign currency when they show on statements in U.S. dollars (USD). Let me try to explain how this works.

Many of the funds in your portfolio are invested in pools of assets, either open-end stock funds or exchange traded funds, that are then invested in foreign securities markets. These funds are priced each day in USD, at prevailing exchange rates, and reported to the account custodian, (for example National Advisors Trust Company or Charles Schwab). *(Continued on Page 2)*

Gifts to Grandchildren in Canada - a Win/Win Proposition

—by Claudia Freeman, Staff Planner

If you are interested in gifting to grandchildren who reside in Canada, it might be a good time to consider making a gift of publicly-traded securities. The depressed values of many investments (from late 2007 peaks), along with the tax advantages to gifting—especially as a non-resident of Canada—make this an attractive option.

For U.S. taxpayers, the 2009 annual limit on tax-free gifts to individuals is \$13,000. For married couples the amount is double, or \$26,000. These gifts may be made to any number of individuals, do not require the filing of a gift tax return, and do not count against your lifetime gift tax exemption of \$1 million.

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The Border Guide Forum

The Border Guide Forum is looking for new Forum members to discuss *The Border Guide* topics, share issues of concern regarding Canadian / U.S. border crossing, ask questions, submit news and take part in our international community of *The Border Guide Forum* guests. All Forum users, as well as Keats, Connelly and Associates, LLC (KCA) staff, will be able to view and respond to your submissions and questions to create interesting global discussions.

www.keatsconnelly.com/forum is the website to visit and become a Forum participant. You may join to read as a guest; however, you must be a registered member to post questions or responses.

Registering is simple. You can login and follow the easy instructions provided to set yourself up and create your own password.

Provide us with your name and email address (kept private and not shared with any other vendors), as well as your user name. Just enter your nickname as your username and all questions posted by you or answered for you would address you using this username; thereby, keeping your other information private. We look forward to your comments.□

Widows and Widowers of U.S. Citizens under U.S. Immigration Rules (Continued from Page 1)

If you find these scenarios troubling, don't blame the U.S. immigration authorities. Blame Congress. Under U.S. law (Title 8, Code of Federal Regulations Section 205.1(a)(3)(i)(C), a pending marriage-based immigration application is automatically terminated by the death of a sponsoring U.S. spouse. For those holding conditional green cards (based on a marriage of less than two years' duration) at the time of death, there is no guarantee that the condition will be removed and the residency made permanent. Humanitarian relief is available on a discretionary basis, but only if the couple was legally married for two years before the death. A grieving widow or widower married less than two years is left with two alternatives: another kind of visa, or a plane ticket out of the country.

How many bi-national Canadian-U.S. couples, particularly older couples and couples with health issues, have been discouraged from moving to the U.S. because of such stories?

There is good news: until Congress devises a better solution, the U.S. immigration authorities have developed one of their own, which appears in a U.S. Citizenship and Immigration Services (USCIS) memo released June 15th. In most cases, a surviving spouse can remain in the U.S. How a surviving spouse is treated by the immigration system depends on where he or she was in the process at the time of death.

A. *If an I-130 immigrant petition was approved* but subsequent steps in the process had not been completed, the petition is still automatically revoked under Section 205.1, but the surviving spouse may now request humanitarian reinstatement, and examiners are to presume that there are facts sufficient to support the request.

B. *If the I-130 petition was merely pending at the time of death*, the petition should be held in abeyance and the surviving spouse will be allowed to remain in the U.S. (with interim authorization to work and travel internationally) for an initial period of two years with the prospect of extensions of these benefits until USCIS or Congress can find a better solution. A surviving spouse whose petition was *denied before the issuance of the June 15 memo* and in those cases where a couple had not yet filed an I-130 petition before the death will receive these benefits as well.

How long will it take Congress to rewrite the law to give the group "B" widows and widowers a clear path to residency? No one can say.

Relief is not available if a) the couple was not legally married, b) the decedent spouse was not a U.S. citizen, c) the couple was living outside the U.S., d) the initial conditional green card was already approved, or e) the immigrant has already remarried.

The impact of the June 15 memo is better than the facts of the memo would suggest. Note that most marriage-

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based I-130 petitions are currently approved in less than six months. That is a narrow timeframe in which to file a petition and die before petition approval; thus falling within group "B". Because of the short processing time for I-130 petitions, the vast majority of affected immigrants are expected to fall within group "A"; these widows and widowers will apply for reinstatement, avoid legal limbo, and proceed to receive their green cards in short order. This measure goes far in reducing the immigration risk for bi-national couples. □

Investing in Foreign Securities and Currency—(Continued from Page 1)



The securities in these foreign stock funds remain invested in the foreign markets and currency at all times. No actual currency conversion takes place in order to report the price of these funds in USD. Most of the foreign stock positions bear direct foreign currency exposure, so their prices also reflect any appreciation or depreciation in the USD relative to the foreign currencies. As an example, let's say a fund is invested in stocks in Europe and the stocks appreciate 10% and the Euro appreciates 10% against the USD. Then your position in this fund would be up 20% (actually a bit more than 20% due to currency appreciation on the market appreciation!).

The only time actual currency conversion takes place is when there are transactions such as buys and sells or dividends inside the fund. In many cases the fund can take steps to minimize the cost of currency conversion by keeping the money in local currency to invest back into securities in the same currency.

How does this impact you? With all the recent discussion about the USD getting weaker relative to other currencies, you should be aware that much of your portfolio is invested around the world and is NOT in USD, even though the values are reported in USD every day.

We do not know what the future will bring and currency movement is as tricky as any other forecasting. The general consensus of economists is that the USD will weaken relative to foreign currencies in the future. But then, the general consensus three years ago was that real estate was a terrific investment and ten years ago tech stocks were the place to be! People have short memories on how they were unable to forecast the future.

At Keats, Connelly and Associates, LLC, your portfolio is hedged, or designed to provide protection (like an insurance policy) against numerous possible future outcomes. We don't know for sure what will happen and we believe it is in your best interest to keep hedged against as many negative outcomes as possible, while retaining the growth potential that securities markets offer over long periods of time. Investing in foreign securities and currency are one of the ways we continue to look after your investments. □

Gifts to Grandchildren in Canada - a Win/Win Proposition—(Continued from Page 1)

The value of a gift of publicly-traded securities will be equal to the market value of the shares on the day they are gifted. When market values are depressed you have an opportunity to maximize your giving, since the gift of \$13,000 worth of securities today could translate into a much more valuable asset to your grandchild a few years down the road. In addition, if U.S. estate tax is a concern, you would also benefit through the removal of these appreciating assets from your estate.

If you were a resident of Canada, the transfer of property to a minor grandchild (under the age of 18) would result in the attribution of income (interest, dividends, and foreign income - but not capital gains) back to you. However, as a non-resident, the Canadian attribution rules do not apply. There would be no tax consequence to you from a Canadian perspective. Your grandchild would take receipt of the securities at your original cost basis. All annual income earned on the property, along with any taxable gain/loss on the sale of the property, would be taxable in the hands of your grandchild, who presumably would be in a zero/low tax bracket. Since you would no longer be collecting the income from the investments, you would reduce your income tax bill in the U.S. as well.

Therefore, gifting to a young grandchild in Canada who has little / no

income would be a good strategy. The assets would be out of your estate at their full market value; the tax on the income from these assets would be shifted to an individual in a no/low tax bracket; and, your grandchild could eventually sell the appreciated assets and use the proceeds for school, or to launch a career, prior to becoming a highly-taxed, gainfully-employed member of Canadian society. □



KCA Social Media Sites

In addition to our www.keatsconnelly.com, www.info@cbta.net and [The Border Guide Forum](http://TheBorderGuideForum.com) websites, KCA now has new sites that you can *twitter* and *tweet* on. Try visiting the new Twitter sites at:

www.twitter.com/KeatsConnelly,
www.twitter.com/BorderGuide, and
www.twitter.com/CBTA Cross Border Tax & Accounting, LLC subsidiary

Or, if you are more in the Facebook crowd, please try our site at:

<https://www.facebook.com/pages/The-Border-Guide/79966261305?ref=ts>

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This new Facebook site will feature the latest updates in regard to the 10th edition of *The Border Guide*. Whether you are a new visitor to this site, or even if you have used *The Border Guide Forum* before, this is a good place to discover all the latest information on cross-border living.

Please feel free to navigate around on these sites and send us a *tweet* or a *blog*. If you have any questions about locating these sites or accessing the information, please call Holly Jordan, our KCA Document Librarian at 1-800-678-5007. Holly will be posting on and monitoring these sites. □



KCA Client Ambassador Program

KCA clients that provide a goodwill referral to us will have \$500 donated in their name/s to their favorite charity as a thank you from us once the referral signs on with KCA. Please call us and we will tell you more about this rewarding program □

Green Tip\$—by Virginia Dhondt, Staff Planner



Is organic food better than conventional food?

On FLN's *Big Green Lies*, a chef was asked to prepare the same meal using *almost* identical ingredients provided by two individuals. One purchased all organic products, including grass fed beef, while the other purchased all conventional products. After their taste test, the verdict was that organic tastes better. Unfortunately, the conventional meal was half the price of the organic meal. Most consumers should consider using some of both. Produce with thick skins can be conventional—avocados, oranges, bananas.

Remember that *natural* does not mean *organic*, and *organic* does not mean *healthy*! According to the Environmental Working Group, the best approach to reduce pesticide exposure is to "eat a varied diet, rinse all produce, and eat organic when possible." To find out what the most and least contaminated types of produce are, see the "Dirty Dozen" at <http://www.foodnews.org/EWG-shoppers-guide-download-final.pdf>.



Money saving tip: With careful shopping, a lot of organics can be purchased for about the same price as conventional—check store ads, buy seasonally, check out your local farmer's market, and order by mail. Consider organic frozen foods for out-of-season shopping. □

KCA Fun Employee Factoids

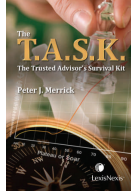
1. Who was voted Homecoming Queen at an all-girls' high school mock homecoming?
2. Who is a descendant of President Taft?

1. Claudia Freeman
2. J. Brad Flecke

KCA in the News

The *Wall Street Journal Online* re-ran Bob Keats' interview from the *Dow Jones* article 'GETTING PERSONAL CDA: Consider Tax Issues Before Snowbirding.' To read this article, please click [here](#).

Bob Keats is a contributor to a new book entitled *The Trusted Advisor's Survival Kit (T.A.S.K.)*. Already seen as an expert on finance on both sides of the border through his own book – *The Border Guide*, recently released in its 10th edition – Keats contributed personal stories and insights from advising extremely successful entrepreneurs and executives for this project. *T.A.S.K.* is a reference for accountants, financial and investment advisors, lawyers, business owners, corporate executives and financial media across north America. Keats contributed to more than one chapter, but offers the most advice in Part VIII, a chapter dedicated to offshore investing. For more information, please click [here](#).



A KCA article, 'Working Both Sides of the Border,' was recently published in the *Accounting Today*, as well as the October 13th edition of *CPA Wealth Provider* magazine. To read this article, please click on the following link [here](#).

Peter Eickelberg was recently quoted in an Associated Press (AP) article entitled 'New Managers Must Face Challenges' that ran in the Arizona Republic and other newspapers. □

Tax Timeline

Once again, we would like to let everyone know the various deadlines and obligations we have to meet throughout the year for you, our clients.

- 1/15 Family Office organizers back from ACM and mailed
- 2/15 Special TD Forms complete for KCA
- 2/15 Bookkeeping complete for calendar year entities
- 3/15 1120/1120S/3520-A filing/extension deadline
- 3/31 T3's (Canadian Trusts) completed
- 3/31 Stop completion of 1040's, prepare for extensions
- 4/15 1040/1041/1065 extensions completed and balance paid
- 4/30 T1's (Individual Canadian returns) completed
- 6/15 1040NR's (Non-Resident) completed or extended
- 6/15 2nd Qtr 1040-ES (Estimated Payments) filing date
- 6/30 TD forms due date
- 6/30 T2's (Canadian Corporate Returns) completed or 6 months after Year End
- 9/15 3rd Qtr 1040-ES filing date
- 9/15 1065/1041/3520-A/1120/1120S extended filing deadline
- 10/10 1040 filing date to meet the 10-15 IRS deadline
- 11/1 Start projections
- 12/15 Complete projections
- 12/20 Organizers sent out to clients/ Family Office
Organizers sent to ACM's □

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At times, we may have to shift our attention to different matters, which means that we may not be able to work on your return/s. Please understand that throughout the year we have to adjust our priorities according to what is due next. Thanks for your understanding and patience—*Tax Department*. □

KCA Florida Ribbon Cutting Ceremony

As a new member of **The Boynton Beach Greater Chamber of Commerce**, our KCA Florida office hosted an open house for the ribbon cutting event on Monday, October 5. Attendees included Canadian Consul General Louise L. Léger and RBC Centura Bank Vice President Alain Forget; clients, staff, chamber members and other centers of influence. □



58th Annual Great Canadian Picnic



**GREAT DOOR PRIZES! LIVE MUSIC!
FACE PAINTING! GAMES! SNOW!
FREE ADMISSION!**

Bring a picnic lunch or purchase from the concession.
**Saturday February 6, 2010
11:00 AM to 3:00 PM**

Activity Complex, South Mountain Park
10919 South Central PHOENIX, ARIZONA 85042

For more information Contact:
Penny Clarke (602) 765-0431 – Picnic Coordinator
info@canadianpicnic.com
www.canadianpicnic.com

Editorial—by Kathy Bayer, Marketing

If you are considering becoming a new tax client with **Cross Border Tax & Accounting, LLC**, please be sure to call me to help you get started as soon as possible. There is a cut-off date that falls some time in mid-February and you would need to get on the list for tax services prior to this date.

Also, please write or call me if you have any questions or comments regarding this E-Update newsletter, please call 1-800-678-5007, ext. 130, or email me at kathyb@keatsconnelly.com. Thank you. □