Safeguarding Your Future Through An Offshore Self-Directed IRA

By Jamie Vrijhof-Droese

The past 30 years have clearly demonstrated to Americans the need for an international perspective when managing their investment portfolio.

Political division, the long-term decline of the U.S. dollar, the recent inflation levels, and the lack of international investment opportunities have made it challenging to position yourself in a way that preserves your capital.

In the past, the global outlook that was available focused mainly on non-retirement assets with limited solutions available for retirement assets.

As a result, your retirement funds—your future—was neglected in the globalization equation.

Today, I would like to show you that it is possible to move (part of) your retirement assets offshore to benefit from international diversification and an enhanced level of privacy and asset protection. This way your retirement assets can access global markets and a variety of international opportunities.

It is possible to internationalize your individual retirement account (IRA) portfolio by placing your IRA assets with a solid European private bank and then providing you with Swiss asset management. All of this is done with an understanding of IRS IRA regulations and in conjunction with a U.S.-approved IRA trustee/custodian.

Before we dive into it, please note that moving U.S. retirement money offshore requires assistance from financial experts who have the knowledge and expertise to guide you through the whole process. It is very important that all steps are done properly and in a compliant manner to ensure that you will not lose any of your tax benefits.

Why Use A Self-Directed IRA?

Your self-directed individual IRA allows you to use alternative investments to build retirement wealth.

As a plan owner, you have control over your own funds and investing decisions as well as the option to work together with an independent asset manager.

IRAs and self-directed IRAs offer the same tax-sheltered benefits and are governed by the same IRS rules and regulations.

However, a self-directed IRA has two significant advantages that a typical IRA does not offer:

- Account owners have control over their retirement funds; and
- The freedom to choose alternative investments to build wealth.

Traditional IRAs allow you to save pre-tax money for retirement. If you are eligible to deduct contributions on your income taxes now and you anticipate a lower tax rate in retirement, then this is a good plan to consider.

There are several types of IRAs, but for the sake of this article I will focus on "Traditional IRAs" and "Roth IRAs" administrated by a U.S. trust company.

Some key features of IRA accounts:

- Contributions are often tax-deductible;
- All transactions and earnings within the IRA have no tax impact;
- Withdrawals at retirement are taxed as income (except for portions of the withdrawal corresponding to contributions that are not deducted).

Why Move Your Self-Directed IRA Offshore?

If you are like most Americans, your assets are probably 100% in U.S. dollars—your bank accounts, retirement plans, etc. Due to the long-term demise of the US dollar, as well as inflation, these assets are susceptible to losing value in the long term.

How can you protect yourself?

We would like to share with you the four key advantages of investing offshore:

1. **Access to investment opportunities**: International investments are extremely helpful in geographically diversifying your wealth.

   How can you gain access and expertise in these other markets?

   In most cases not through a U.S. broker. Sure, a few boutique firms specialize in international shares, but to experience the full richness of international markets, an offshore bank account and an independent asset manager based in another region is a huge benefit.

2. **Protection against a sinking domestic currency:** Despite this year's short-term strength in the U.S. dollar, it is still a fact that its value has consistently declined if we look at a longer time horizon of years or even decades.

   With the level of U.S. government debt—as well as the high level of inflation—we do not believe the current strength to be sustainable but rather a window of opportunity for international diversification.

   How can you protect yourself from the loss in value of your investments?

   There is an easy, safe, and conservative way—purchasing shares and bonds denominated in foreign currencies such as the ever-strong Swiss franc.

3. **Protection from professional liability and other claims**: Many Americans rely on domestic laws and instruments to protect their wealth from frivolous lawsuits.

   However, there are considerable variations between states, and some states provide little or no protection.

   In contrast, asset protection laws in countries such as Switzerland are usually enforced without local variations.

   The bottom line: When someone wants to sue you and discovers that your assets are offshore, they will often pursue an easier target.

4. **Enhanced privacy protection**: Your wealth, spending habits, and almost every other detail of your financial life are under scrutiny in the United States.

   The States is one of the few nations where it is legal for banks and other financial services to disclose information about your accounts without your permission and without probable cause of wrongdoing…

   As a result, the army of information brokers, which advertise their ability to uncover assets, will not be able to pry information out of an offshore bank.

Setting Up Your Self-Directed IRA

The account setup for a self-directed IRA managed by an offshore asset manager and held abroad is done through a U.S. administrator.

As the client's IRA custodian, the administrator is concerned only with making investments of the client's choosing, protecting their assets while they are in the IRA, and performing all duties of an IRA custodian.

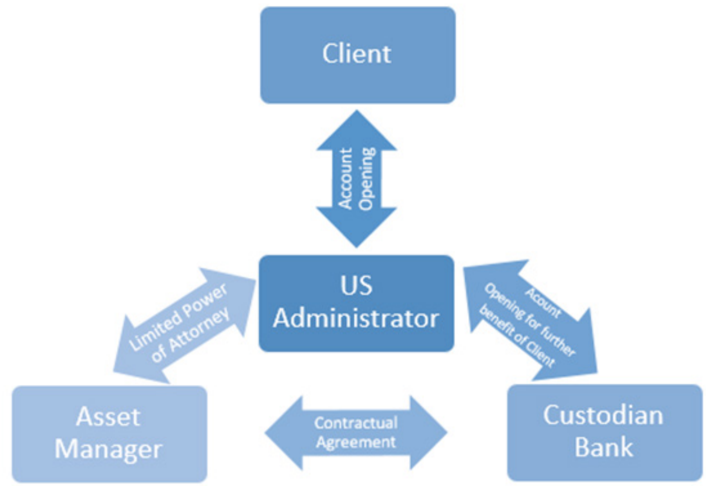
They do not offer or sell any investments, nor are they affiliated with any dealer. They do not give tax or legal advice and they do not benefit financially from the client's investment choices.

In the following illustration, you can see all the different parties and how they interact with each other. At first glance, this might look a little daunting.

However, the right partner at your side will introduce you to all relevant parties and make sure that you are safely guided through all the needed steps.

The asset manager is the investment manager and the main contact person of the client, but the assets are held at a private bank in either Switzerland, Liechtenstein, or Austria.

As already mentioned above, it is important to keep in mind that the asset manager is working with you through the whole process and works as a mediator between the different parties, so you don't have to worry about keeping an overview over everything.



The Process

1. **The process usually starts with an introduction telephone call between you and the asset manager**. The goal of the call is to get to know each other and talk about your needs and about their service. Besides talking about the different services, you'll talk also about the possible administrators and custodian banks.
2. **The asset manager makes the introduction to the administrator**. They will send you the application form for a non-U.S. bank self-directed IRA account.
3. **You sign and return the forms to the administrator.**
4. **The administrator informs and instructs the asset manager to prepare the bank account opening forms**. These forms will be sent to the administrator as trustee of the IRA account. However, some forms must be signed by the client as beneficial owner (BO).
5. **The asset manager encloses their Portfolio Management Mandate (PMM)** and additional information to the package for the BO, respectively the IRA owner.
6. **Upon receipt of the original signed forms**, the asset manager provides the paperwork to the respective bank and informs the administrator once the account is opened.
7. **An IRA can only be funded with cash or cash equivalents**. Attempting to transfer any other type of asset into the IRA is a prohibited transaction and disqualifies the fund from its beneficial tax treatment.

The administrator as custodian resp. administrator is responsible for the correct funding.

Therefore, they will transfer the funds to the account according to the wiring instructions they will receive from the asset manager. If you have an employer-sponsored plan, you can roll those funds into a self-directed IRA. The account can also be funded by transferring funds from an existing IRA.

8. **Once the account is funded, the asset manager will schedule another telephone call** where they talk about the investment strategy and initial investment in more detail. After the call, they will start investing and stay in continuous communication with you.

Taking The Next Steps…

As an American, you should only look for asset managers that are registered with the Securities and Exchange Commission (SEC) in the United States. This registration gives you the confidence that the company you are dealing with knows U.S. rules and regulations and is specialized in dealing with U.S. citizens.

You have to make sure that the asset manager is well versed with IRAs because not all SEC-registered investment advisors automatically also work with retirement moneys.

The Secret's Out

Don't forget to grab your free copy of Jamie's book *Swiss Money Secrets* by sending her a message with the subject "Book."

She shares all the secrets learned from decades of experience that make Switzerland the best option when diversifying your investments offshore…

And, by subscribing to her newsletter *The Swiss View*—sent out every six weeks—you'll have access to a Swiss perspective on current economic developments and stock market movements…

Join fellow *Simon Letter* readers who've already received their first installment by sending her a message with the subject "Newsletter."

At WHVP, we love what we do and are passionate about the financial world…

Also, make sure that your investment philosophy fits the philosophy of the company. Are you more risk-averse and looking for a stable and conservative portfolio or are you willing to take a lot of risks and would like to be all out in the stock market?

For example, we at WHVP consider ourselves conservative investors and focus on capital preservation. Even though our portfolios are tailor-made, an investor who is seeking aggressive portfolio management, chasing high-risk IPOs or "flavor-of-the-day" shares that promise astronomic returns of 50%+, is probably not the right client for us.

This is a big decision to make, and it is important that you feel confident making it. Look up different companies, talk to different service providers, ask your friends for referrals, and ask many questions.

I would recommend making a list of questions that are important to you and that you would like to have answered. You might find some inspiration on relevant questions in my previous article.

If you feel that the person you are talking to is impatient, unfriendly, or not answering your questions at all, make sure to keep looking. This is your hard-earned money, and you need to feel comfortable with the person you are dealing with. SL

About The Author

Jamie Vrijhof-Droese is a cross-border wealth management expert, public speaker, and writer. She heads the business development of WHVP and advises a group of international clients with respect to international diversification and asset protection.

Jamie is a board member of the Swiss Association of Wealth Managers. She started her banking career back in 2009 at Credit Suisse, where she worked in different departments, amongst others in Credit Risk Management, Consumer Finance, and Private Banking. Her experience is topped off with several years of working experience as a financial planner.

She holds a Bachelor's degree in Banking and Finance as well as a Master of Business Administration (MBA) from the University of St. Gallen. You can connect with her through LinkedIn or via email.

WHVP is a Swiss asset management company owned and managed by the second generation. Since 1991, we have specialized in serving U.S. clients out of Switzerland.

Additionally to being regulated in Switzerland, we are also registered with the Securities and Exchange Commission in the United States. We are associated with several first-class private banks in Switzerland, Liechtenstein, and Austria, which act as custodian banks for our client's accounts. Our asset management principles are guided by conservative, long-term oriented capital preservation strategies.

You can learn more about WHVP here.