

Why Americans Should Move their Funds Offshore

And it's Totally Legal

Many people are concerned about the legality and safety of placing funds offshore. There are good reasons for American expats to take a closer look.

Research shows there are more than 15,000 US-based mutual funds. The vast majority of these invest in equities and bonds and a smaller, but rapidly growing proportion, invest in property, precious metals and commodities. Analysts at Washington Mutual say less than 1% of the exposure of these funds is to international assets outside the USA.

It's reminiscent of, car maker, Henry Ford's famous saying, "you can have any color you want, as long as it's black." Any US investor can invest in anything they like – as long as it's US T-bills and stocks.

More Variety Means More Choices and Better Diversification

Offshore investments generally have access to a much wider variety of assets, including property, stocks or bonds from anywhere in the world, as well as managed currencies, hedge funds, arbitrage, precious metals, soft and hard commodities and a wide range of alternative assets.

The point about geographical opportunity is extremely important. US stock investors have fared relatively poorly this year, returning 10.4% - beaten by the national equity performance of 55 other countries:

Year-to-Date Stock Market Performance by Country 2009 (to 19th August 2009)

- Peru 100.9% (1st)
- Russia 57.2% (7th)
- India 53.5% (9th)
- China 53.0% (10th)
- Thailand 40.3% (16th)
- Canada 19.2% (43rd)
- Australia 17.5% (45th)
- Japan 15.2% (51st)

Investor Protection

Many offshore programs offer investor protection. The use of third-party custodians and segregated accounts prevent the kind of losses that US investors suffered in the wake of the Madoff and Stanford scandals. Sadly, fraud isn't the only risk investors need to be protected against. The kind of structures used in our offshore jurisdictions protect investors against loss in the event of institutional failure – for example Lehman Brothers.

Tax Planning

There's no denying Americans and others have used offshore as a means of tax evasion. Last year's high-profile case against a former UBS banker revealed he knew about millions stashed in Swiss bank accounts. Precious jewels and artwork whisked into hiding – diamonds smuggled in tubes of toothpaste. All part of a 'hiding and hoping' tax evasion strategy.

We have long been critical of this approach – particularly as 5,000 US investors have been caught recently and, according to the IRS, there are 52,000 more in the cross-hairs. It's also completely unnecessary. There are plenty of legitimate tax advantages, involving the exploitation of tax deferrals

and concessions, that individual investors can legally and transparently utilize. These vary according to individual circumstances and in every instance, we recommend a discussion with a qualified US tax practitioner.

Taking the offshore plunge may not be for everyone, but it is certainly an option that an open-minded investor should take a look at.