

Tips for Swiss Expatriates in the United States

I. Introduction

In 2009, the Swiss representative offices have registered 74'966 Swiss people living in the United States. This represents approximately 1% of the Swiss population. While America enjoys a reputation as a welcoming country for business opportunities and new enterprises, the complexity of moving there is often under-estimated. A number of issues such as social security, savings & investing or the banking system should be considered carefully before moving to the United States.

“A few days after moving to the United States, I was asked by my Swiss bank to close my account and to sell my assets. They gave me 45 days to find a new bank and to operate the transfer. This happened at a very bad moment (e.g. 2008) and I had a significant loss”, “I wanted to keep my Swiss credit card but I was asked to leave a \$10'000.00 deposit in Switzerland in order to do so. I did not expect such proceedings after a 20 year relationship with my bank” or “I recently discovered that I could have kept contributing to the Swiss Social Security (OASI/DI – first pillar) instead of the American one. It is now too late to come back to the Swiss one. This is annoying because I heard that I will lose a couple of years of contribution to the OASI/DI”.

These examples from Swiss people who have recently moved to the US illustrate a few of the more common problems that can be faced by our compatriots. Some issues can be anticipated and easy to deal with, but others can come as a surprise and cost lots of time, money and frustration. Now, the internet can provide some assistance, but the information is mostly scattered and can be difficult to find. Additionally, the advice is often ill-suited to an individual's specific situation or inaccurate and outdated information can be passed from one person to another.

Since so many Swiss people have decided to move to the US, we have decided to compile a list of some useful information for Swiss citizens planning to move to the United States.

II. A couple of tips for Swiss citizens moving to the United-States

Prior departure

- Check with your bank if they still accepts US-Resident clients. Some of the main Swiss banks discriminate against US residents regardless of the duration of the relationship and their nationality and no longer accept them. Cantonal or Private Banks may be a good option to keep an account in Switzerland as well as the Postbank. If you can even have two separate bank accounts before moving to the US, this gives you additional security.
- Selling appreciated financial investments before moving to the United States may allow you benefit from the Swiss exemption on taxation on capital gains and avoid this US tax. It may also allow you to avoid a prohibitive taxation in the US since most of the non-US investment funds can be prohibitively taxed and have complex reporting requirements. Income taxes can go well above 50% on gains of foreign investment funds. After settling in the United States, similar investments can be purchased again, but are often more efficient to buy on the US markets.
- More sophisticated solutions may be found for specific investment situations but they can be expensive and subject to constant legal changes. When regulations tend to be more restrictive, an unclear/suspect solution today may become unlawful tomorrow: the recent turbulences between UBS and the United-States are a good example. Work with an experienced tax and/or legal advisor who is specialized in working with overseas Swiss

people and it is even better if your investment advisor is familiar in working with non US nationals living in the US.

- Consider that the exchange rate between Swiss Francs and Dollars is subject to significant fluctuations, up to 30% or more per year. For instance, a mortgage in Swiss Francs can be at risk if your future income will be earned in Dollars only. This may also have US tax implications as you pay down your Swiss mortgage.
- Working in the US as a posted worker (travailleur détaché) or as a non US-Resident implies that you keep your Swiss residency. The health-insurance must then fulfill the Lamal's requirements. However, the solutions provided by the Swiss companies when living for more than a year in the United States may be prohibitive and a solution may be found even abroad. A positive experience was related by a Swiss citizen who gets a Lamal compatible health-insurance through "Expatplus" (www.expatsplus.com), a plan offered by Vanbreda International.
- Having children, Swiss citizens should be well aware that the quality of public school can vary drastically from one town to another. Private schools may be considered, but can be relatively expensive. Moreover, the Swiss family benefits are only paid for Swiss resident children (art. 7 OAFam) and since no bilateral agreement exists between the two countries for child benefits, Swiss children of a family domiciled in the United States cannot be granted the family benefit.
- The websites of the Federal Department of Foreign Affairs (FDFA – <http://www.eda.admin.ch/eda/en>) and the Federal Office for Migration (FOM – <http://www.bfm.admin.ch/bfm/en>) provide useful information encompassing most of the important administrative issues for Swiss emigrants. It may be worthwhile to have a first look through the "*Aide mémoire pour les Suisses de l'étranger*"¹ available on the FDFA's website in French, German and Italian.
- Think about the implications of your US-Visa status. Whether or not it requires that you become a US-Resident has a significant impact on your health-insurance, taxation, social security or savings. In general, the law of the country of residence applies but with many exceptions through bilateral agreements.

Once at destination

- It is possible to ask for an optional OASI/DI (first pillar) within a period of one year after the exit of the compulsory OASI/DI. According to the recent judicial decision of the Swiss Supreme Court, virtually no delays are granted unless "exceptional circumstances" are recognized. A given example describing such circumstances was the case of a Swiss citizen detained in a Russian jail.
- Contributing to the optional OASI/DI may be a suitable solution if you plan to stay less than three years in the US. For longer stays however, the US Social Security System offers some interesting aspects; higher benefits for a non-working spouse, eligibility for Medicare (the U.S. national health insurance system for people age 65 or older or who are disabled) after 10 years of contribution or flexible solutions when collecting your benefits in both countries.

¹ Aide mémoire pour les Suisses de l'étranger (Fr) – <http://www.eda.admin.ch/eda/fr/home/doc/publi/ptrali.html>

- Due to the Totalization Agreement² between the US and Switzerland, each country counts your credit in the other country. As a result, you may claim for benefit in both countries even if you have worked less than ten years in the US. The Totalization Agreement is available on the internet, but additional information may be obtained from the Federal Benefits Unit at the U.S. Embassy in Bern (phone: 031 357 72 35).
- Always keep records of your contributions to the 2nd pillar or the equivalent in the United States. This may allow you to avoid double taxation.
- US Residents are generally not able to contribute to a third pillar in Switzerland, but may be eligible to contribute to a US IRA (Individual Retirement Account) in order to defer or eliminate US taxation on some of their retirement savings.
- US life insurance can be much more attractively priced than those offered by Swiss companies. After becoming a US-Resident you may look for US life insurance, hitherto closed, even if considering a short term stay only.
- Succession law is more flexible in the United-States, though estate taxes can be higher and the laws have been changing every couple of years. For instance, in the case of a couple with two children, the testator can only leave a maximum of five eighths of the succession to his or her surviving spouse since the compulsory portion of the children is of three eighths of the succession. After becoming a US-resident, a solution can be found to favor one or the other of the heirs more freely.
- Coverage of liability for vehicles is not always mandatory. It is then important to have an adequate insurance when liability can be very high. Also keep in mind that whilst subject to some variations between States, Swiss driving licenses are in principle valid up to 1 year in the United States. Check with the Department of Motor Vehicles in the State where you will be moving to for more information.
- Under certain conditions, Swiss people who come back after spending more than a year in the US (non EU-member country) are entitled to unemployment benefits. If you have been domiciled ten years or more in Switzerland before moving, you may not only benefit from the unemployment subsidies but also from advice and support when looking for a new job in Switzerland. The proceedings should be initiated immediately after arriving in Switzerland, as the deadline expires after the first year of residency.
- When thinking about starting a company in the United States, the connections and expertise of Swissnex (www.swissnex.com), located in both San Francisco and Boston (New-England and Eastern Canada), may save you a lot of time, energy and money. Both located close to strategic locations, respectively Silicon Valley and MIT, their goal of “connecting the dots” may help you to find the appropriate partnership for your firm.

III. Banks

The Swiss fidelity undermined

Following the 2008 UBS crisis, some of the major Swiss banks decided to get rid of their Swiss US-Resident customers, regardless of the duration of the relationship and sometimes in a brutal manner.

² http://www.ssa.gov/international/Agreement_Pamphlets/switzrld.html

As a result, many Swiss overseas have had the unpleasant surprise of having to close their bank accounts, sometimes after decades of relationship³ and often with very low support in terms of financial advice.

Although the Organization of the Swiss Abroad (OSA) tried to obtain the support of the Government, the Federal Counsel decided not to interfere in this field. The passivity of our authority left many Swiss citizens abroad with a sense of lack of support at a time when the delicate economic situation already raised many questions for their future in the United States.

Whilst the bank's (over-)reactions can be explained by the threat of a loss of their US banking license, it ignores the value of the Swiss customer loyalty. Here more than anywhere else, delegating the management of private assets requires a great confidence between partners. Privileged relationships most of the time occur between investors and managers and are built over the long term. A breach of this trust can irrevocably damage it.

Resulting from this severe discrimination, arguably an entire generation of Swiss people living in the United States lost forever their trust in these major banks. This lack of consideration for a very active part of the Swiss population can be seen as unfortunate for anyone trying to regain investors' confidence through expensive marketing campaign or sponsorship deals.

If the reputation of our banks suffered from the recent turbulences, improving its image, trust and reputation should also include a greater consideration for its exiting Swiss clients. They can be valuable ambassadors for their image abroad and do not require much investment. These banks should re-think their strategy before depriving themselves of these valuable assets.

³ <http://www.aso.ch/fr/information/communiqués-de-presse/fermeture-des-comptes-bancaires-des-suissees-aux-usa-pas-de-soutien-de-la-confederation-1258129350?searchText=ubs>