

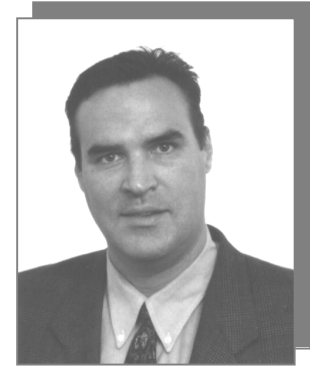
October 2002

# GOOD MORNING... THIS IS YOUR WAKE-UP CALL

IMMIGRATION & CITIZENSHIP STRATEGIES  
FOR A POST SEPTEMBER 11<sup>TH</sup> WORLD

By David S. Lesperance

*David Lesperance, Barrister & Solicitor* is Chief Legal Counsel to Global Relocation Consultants S.A. (GRC), a consultancy that specializes in the integration of immigration and citizenship, offshore trusts and tax planning. GRC specializes in assisting individuals acquire residency and citizenship to fulfil tax or estate planning objectives and works closely with banking, accounting and related professionals on behalf of its clients.



On the morning of September 11<sup>th</sup>, 2001 the veil of complacency was ripped violently from the face of America. Until that time, war and terrorism were events happening in far away lands. The American public could not conceive of such major acts of war on their home territory. Until this time Americans had only to contend with minor irritants - increasing loss of privacy, lawsuits, and excessive taxation. Living in the comfort and abundance of their birth land afforded them the luxury of dealing with these problems another day.

By comparison, many other countries had already experienced the brutal realities of war and terrorism. Present day Europeans need look back no further than a generation to remember the Holocaust, the Dresden firestorm, the Blitz, or the Iron Curtain. Similar to September 11<sup>th</sup>, these historic events were incomprehensible but, in retrospect, the underlying causes were recognizable.

In the last century change has accelerated exponentially, especially in the practice of war. It took several years of escalation before World War I erupted. By World War II, "blitzkrieg" meant that the enemy could score decisive victories within a matter of

weeks. In 2001, within one hour an army of only a dozen people had struck the vital blow. The lesson to be learned is that to survive and prosper in this New World Order, safeguards and strategies must be in place long before the attacks begin. Do not try to buy fire insurance after the fire has started - your house will surely be burned to the ground before you can even get an insurance broker on the phone.

With this in mind, let us examine some emerging key trends followed by some practical residence and citizenship strategies to help us survive in this rapidly changing world.

***TREND 1: We will live in several places throughout our lives (domestic & international).***

It is now commonplace for us to have several different careers or jobs during our lifetime. As we progress through our education, career, and retirement life-stages, we will continually change our residence. Such moves will be increasingly international in nature, as the westernized standard of living spreads worldwide. Some of us will maintain current homes in several countries as we bridge our various life stages or as a hedging strategy.

***TREND 2: Countries will join together in regional blocks for increased security from terrorists.***

The move to unite Canada and the US into "Fortress North America" has begun. While many of us are aware of the growth plans for the North American Free Trade Zone, we are less aware that for the past several years most of continental Europe has been part of a common visa zone known as the "Schengen Treaty Zone". Following the lead of North America and Europe, most developed, and many developing countries will significantly tighten their regional borders as part of their alliances. Accordingly, if we wish to travel, work, or retire overseas we must secure some type of status in all regional associations. Doing so will ensure the ability (for ourselves and our family) to take advantage of the international nature of increased mobility.

***TREND 3: We will want to move to or carry the travel documents of low profile countries.***

We will increasingly want to carry the passport of a low-profile country and may even choose to have a second or primary home in that country. Since September

11<sup>th</sup>, the perception is that the world is a more dangerous place and that random violence can occur anywhere. Accordingly, no one wants to be identified as "the American or Westerner in Room 602" or to spend too much time in high-profile target areas.

***TREND 4: We will have several citizenships and residences in the event that one country acquires a highly unattractive attribute.***

The most obvious examples of unattractive attributes are mandatory military service or taxation by citizenship. Another consideration is the anticipated deterioration of privacy when living in "western developed" countries, as these countries increase internal security to "find the terrorists within".

***TREND 5: Countries will increase invasive fiscal and personal information reporting regimes under the rationale of exposing terrorists or money launderers.***

This trend, which has been underway for the past few years thanks to increased co-operation between governments and initiatives of international organizations, has increased its momentum and justification after September 11<sup>th</sup>. The implementation of the Qualified Intermediary regime in 2000, the passing of the USA Patriot Act in late 2001, and the recent offshore credit card record requests by the IRS, mean the US is aggressively leading the way in scrutinizing all domestic and international financial transactions of its taxpayers.

While we will leave other experts to debate the effectiveness of these efforts in uncovering terrorist funding sources, there is no doubt that these regimes will continue to uncover thousands of US citizens and residents who have been engaging in thinly-disguised tax evasion schemes. Other western countries are now

eagerly beginning to follow the US example.

Given these significant trends, what practical steps should a prudent person consider undertaking?

***STRATEGY 1: Acquire any lineage citizenship to which you may have a legal claim.***

Ireland and Israel are two countries already contemplating limiting their traditional liberal access to lineage claims to their nationality. Other countries, like Holland and Belgium, are reviewing their existing laws relating to previous loss of citizenship through naturalization in foreign countries. Still other countries, such as Estonia, Latvia, and Hungary, are expanding their access to their diaspora as they emerge from under the Iron Curtain. If you (or one of your parents or grandparents) were born in another country, you should examine closely your ability to claim or reclaim that country's citizenship.

***STRATEGY 2: Acquire a second citizenship and/or passport through an economic or residence leading-to-citizenship program.***

Many large countries offer citizenship to those who acquire residence status and fulfil tax and possibly physical presence requirements over a predetermined naturalization period. Other countries offer citizenship directly by fixing an additional government fee in lieu of a naturalization period. Which option or combination is best depends on your personal goals and circumstances.

The proper structuring and implementation of this type of strategy requires the assistance of an experienced advisor. Such an adviser will look at issues such as timing, cost, minimizing the "footprint" of tax and residence obligations through planning

structures, escaping overbearing tax regimes, maintaining the ability to travel visa-free to as many countries as possible, and the practical "livability" of such a strategy for all family members. A properly structured and executed residence and/or citizenship plan will greatly affect the lives of your descendants for several generations.

***STRATEGY 3: Acquire a home and assets outside of your home country.***

This may involve obtaining a retirement residence permit in a low-profile country or could be in combination with economic citizenship or residence leading to citizenship. This strategy would result in the long-term ability to move to a chosen location on a full or part-time basis. This strategy may become increasingly attractive as privacy and tax avoidance strategies fall victim to "anti-terrorist" laws.

***STRATEGY 4: Take proper legal steps to reduce tax and privacy invasion.***

The days of "off-the-shelf" trusts, bearer share IBCs and anonymous offshore banks accounts with linked credit cards, as the means to reduce your tax burden and regain privacy are gone. The new reality is that if you chose to remain within taxing jurisdictions, you will have to get used to a decreased level of privacy in your financial dealings.

Furthermore, if you wish to decrease your tax burden, your only option is to retain sophisticated tax advisors to help you take advantage of a dwindling number of legal tax avoidance strategies. Quick, cheap undetectable tax evasion strategies are now useless and dangerous. Implementing legal tax avoidance plans for those who remain taxpayers will have its own problems. Constantly changing domestic rules result in long-term uncertainty and "change fatigue"

as domestic advisors suggest expensive on-going revisions to your “estate plan”.

These government actions will become triggering catalysts for increasing numbers of wealthy, ambitious or educated people to take the required legal steps to withdraw from the status of being a taxpayer.

The Irish Potato Famine, the Scottish Highland Clearances, the Russian Pogroms, and World War II were major historical events that drove immigration.

September 11<sup>th</sup> 2001 may well be remembered as the time when a group of far-sighted individuals were inspired to

review their current lives and implement changes to their residence and citizenship that would greatly enhance the lives of the generations that followed them.

Undertaking these changes in an effective, timely, and cost-efficient manner is the current major challenge for these pioneers and their advisors.

Recognizing the impact and predictable fallout of current events is but the first step. Taking action is the second.

You have received your wake-up call, now it is time to rouse yourself and prepare for the days ahead..