Wealth
Management US

Moving to the UK

A guide for US expats

Forward-looking
for generations

Cover image
Rudolf von Alt, detail from "The port of Naples with the view of Vesuvius," 1835

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Inside the Princely Collections

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collection is the result. Comprising more than 1,600 paintings, the collection is made up of masterpieces ranging from the early Renaissance to the second half of the nineteenth century. It is one of the world's major private art collections. While the idea of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period, the House of Liechtenstein continues to pursue this goal to this day.

At LGT, we take inspiration from the art in the Princely Collections. For us, the collection embodies the values that form the basis of all successful partnerships: expertise, reliability and a long-term focus. Just like the experts who care for the masterpieces, our team of professionals diligently curate the wealth of our clients. By drawing upon this rich heritage, LGT has honed wealth management to an art.

Welcome

Dear Reader,

The United Kingdom has one of the largest populations of US expats in the world. Americans may consider a transatlantic move for a variety of reasons — whether it be for employment, education, its rich culture and history, ease of access to Europe, diversity, or healthcare, the UK is an attractive place to call home.

LGT Wealth Management US is a specialist wealth management firm dedicated to serving US connected clients, so we understand the unique challenges and opportunities you face when moving abroad. This guide is crafted to be your trusted resource for relocating to the UK, offering practical guidance and essential information to help you navigate your new life with confidence.

The journey of relocating internationally is exhilarating yet complex. From opening a bank account in a foreign country to understanding local real estate markets, and from education planning to effectively managing your wealth across borders, each step comes with its own set of challenges. In recognition of this, we have compiled insights and strategies to address these issues. We will discuss common pitfalls to avoid and tips on how to structure assets that are compliant in both jurisdictions, while remaining conscious of tax, legal and investment frameworks.

As Americans, we too have made the move to the UK, so this guide is not only intended as a practical resource but is also empathetic to the nuances of transitioning from the US to the UK.

Whether you are relocating for personal or professional reasons, or for the opportunity for something new, our goal is to provide you with a comprehensive tool that will assist in making informed decisions that align with both your immediate needs and long-term financial goals. It is designed to alleviate the stress of unknowns and equip you with the knowledge to thrive in your new home.

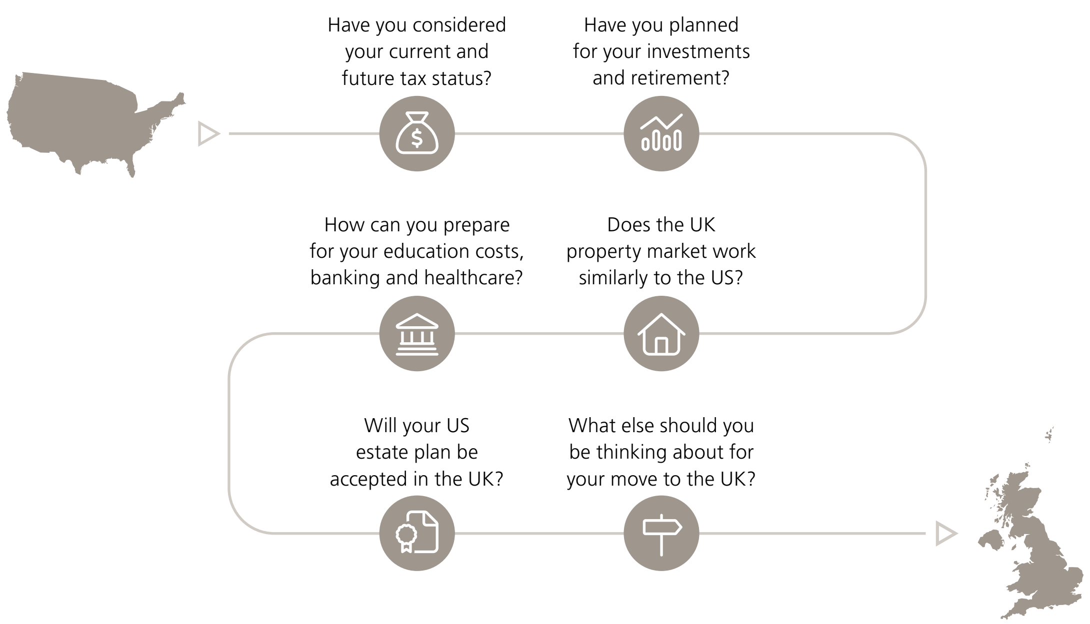
Thank you for placing your trust in us. We wish you all the best in your exciting new chapter.

Yours faithfully,

Daniel J. Zeitoun,
Wealth Manager

Adam Morrow,
Senior Portfolio Manager

Making the move



Tax planning and compliance

Navigating the complexities of international taxation is crucial for US expats moving to the UK (or indeed any foreign country). Compliance with both US and UK tax laws is not just a legal obligation but a critical aspect of safeguarding your financial wellbeing abroad.

US

The US tax system is rare in its ability to tax its citizens and Lawful Permanent Residents (Green Card holders) on their worldwide assets no matter where they reside in the world.

This citizenship-based taxation creates a requirement for annual US tax compliance while overseas. As a result of the Foreign Account Tax Compliance Act (FATCA), passed by the US Congress in 2010, there has been an increased focus on preventing tax evasion and non-compliance by Americans with foreign assets. Strict regulations were implemented, and incomplete or inaccurate filing can result in significant penalties.

Therefore, it is vital to be informed of your tax obligations when moving abroad as most expats are responsible for complying in at least two jurisdictions. Thankfully, because of an extensive double tax treaty in place between the US and UK, there are multiple provisions designed to prevent, but not eliminate, double taxation across both countries.

Although we recommend speaking to a specialist adviser to ensure full US tax compliance, we have outlined a few common terms that can be helpful to understand as an American abroad:

Foreign Tax Credits (FTC)
Foreign Tax Credits are one way to avoid double taxation when becoming a UK tax resident. Because the UK generally has higher tax rates than the US, credits can be accrued from UK taxes paid and can offset US tax liabilities. Excess credits can also be carried forward for ten years or carried back one year. Care needs to be taken to ensure a foreign tax credit is 'creditable' against different types of income and capital gains.

It is also important to keep in mind that the UK tax system does not operate on the calendar year approach used in the US, but instead runs from 6th April to 5th April of the following year. This misalignment and different payment dates can create pitfalls with regards to the use of these credits and proper planning and tax advice should be conducted in advance. LGT can provide separate annual US and UK tax packs for this reason.

Foreign Earned Income Exclusion (FEIE)
This is another option created to prevent double taxation for American expats. If eligible, US persons may elect to exclude up to USD 130 000 in eligible foreign earned income from their Federal taxable income.[1] The specific qualification requirements should be reviewed with a tax advisor.

Net Investment Income Tax
This is an additional tax on investment income above certain income thresholds. The tax is 3.8% and cannot be relieved with foreign tax credits.[2]

[1] www.irs.gov/individuals/international-individuals
[2] www.irs.gov/individuals/net-investment-income-tax

UK

Similar to the US, the UK also uses a progressive tax regime. His Majesty's Revenue and Customs (HMRC) are the tax collection agency. As mentioned above, the effective tax rate for individuals tends to be higher in the UK. For example, while the US federal income tax rates range from 10% to 37%,[3] the UK ranges from 20% to 45%.[4] Importantly, the 40% income tax band is reached at only GBP 50 270 meaning high earners have large proportions of their income taxed at 40% or more. Capital gains are also taxed between 18% and 24% on both property and non-property assets depending on income levels.

Although UK tax rates are higher, there is no additional 'state-level' taxation applied in the country. Depending on the state you are moving from in the US, the savings on state tax can be substantial.

Residence based taxation

Unlike US citizenship-based taxation, the UK tax regime is currently based on one's residency. To determine UK residency, the Statutory Residence Test (SRT) is used. The full details of the test are complex and beyond the scope of this guide. However, we do stress to our clients the importance of accurate record-keeping as a part of documenting their position.

Domicile

Americans moving to the UK on a permanent or temporary basis may not be aware of the concept of domicile. Domicile in the UK is a common law concept, which can be complex to accurately define, but in essence denotes an individual's long-term connection to a territory (e.g., their 'roots'). This is usually a country, but for the US, which also has the concept of domicile (usually applied for US estate and gift taxes), it can refer to a particular state. Broadly speaking, an individual is domiciled in the country or state where they've made their permanent home and intend to live. Domicile is different from nationality and residence.

Why is this important? Although the UK have abolished their domicile-based taxation regime, it can still be relevant as the definition of domicile is unchanged in the tax treaty between the UK and the US.

From April 2025, the UK have abolished the previous domicile-based taxation regime and have moved to a residency-based system. New arrivals to the UK can benefit from the Foreign Income & Gains (FIG)[5] regime for the first four tax-years that they are resident in the UK. Previously periods of residency in the UK in the past ten tax-years would impact the number of years that a new arrival may qualify for the FIG regime.

By claiming the FIG regime, a new UK resident would not be subject to UK tax on any offshore income received or capital gains realised. They are also free to remit this money into the UK without paying additional UK taxes.

However, by electing to be taxed under the FIG regime, the UK taxpayer will lose both their personal allowance and their capital gains allowance. Most UK taxpayers are entitled to a personal allowance whereby the first GBP 12 570 worth of income is not subject to tax. However, high earners have their personal allowance tapered away with anyone earning over GBP 125 140 worth of income having no personal allowance at all. Therefore, if a newly arrived UK res-

[3] www.irs.gov/filing/federal-income-tax-rates-and-brackets
[4] www.gov.uk/income-tax-rates
[5] www.gov.uk/guidance/check-if-you-can-claim-the-4-year-foreign-income-and-gains-regime

ident has an income in excess of GBP 125,140 meaning they have no personal allowance anyway, then it may be valuable to claim the FIG regime for the first four years of UK tax residency.

After the four years has elapsed, the UK resident will be subject to UK tax on their worldwide income and capital gains going forward.

Pre-entry tax planning tips

Depending on your long-term plans when moving to the UK, there are prudent strategies that could be undertaken prior to become a UK resident or within the first 4 years' of residency:

- Take measures to accelerate income, when possible, prior to being subject to UK taxes.
- Review non-UK structures, such as US revocable trusts (i.e., 'living trusts'), irrevocable trusts, life insurance and annuity policies to ensure tax efficiency in both jurisdictions (further detail to be provided in a later section).

Contacting US/UK investment, tax and legal professionals early is strongly encouraged as the best planning can be completed in advance of arriving in the UK. At LGT we bring a wealth of investment experience and an in-depth knowledge of working within the appropriate tax and legal framework, ensuring tax-efficient investment options in the US and UK. We also work closely with specialist US/UK tax and legal advisers and would be happy to provide introductions where appropriate.

Investment planning

Pre-immigration planning, especially regarding your financial assets, will be key to avoiding unfortunate surprises later on.

Structuring funds offshore and onshore

In general, US-listed ETFs and mutual funds will be viewed as 'offshore funds' for UK tax purposes. Sales of offshore funds (once tax resident in the UK) will be taxed at higher income tax rates of up to 45%, rather than the more favourable capital gains tax rates of up to 24%, unless the funds have applied for UK reporting fund status.[6] As you can imagine, there is only a small subset of US funds which have elected into the UK's tax reporting regime—some of which we use in the portfolios we construct.

Similarly, owning UK funds as a US taxpayer may have adverse tax consequences. From a US tax perspective, such UK funds are likely Passive Foreign Investment Companies (PFICs) which attract punitive tax rates and additional US tax reporting obligations.

Consequently, for clients subject to tax in both the US and UK, we generally construct portfolios of direct stock and bond positions and US-listed ETFs which have UK reporting fund status. The exception to this limitation is for some tax-wrapped accounts which are respected in both jurisdictions (like workplace pensions, SIPPs in the UK, and Individual Retirement Plans, IRAs in the US). In this case, the use of funds should not give rise to an increased tax burden; however, additional tax reporting obligations may still exist—the cost of which can be unfavourable to an investor's long-term returns.

Therefore, a thorough review of how your accounts are structured, including the underlying investments and whether any funds have UK reporting funds status, is necessary before becoming UK tax resident. If restructuring of investments in taxable accounts is required, tax loss harvesting may help offset any necessary capital gain recognition. In these cases, coordination between your wealth manager and your UK/US tax advisers is recommended.

Currency denominations

Another important consideration to discuss with your wealth manager is the currency in which you require your returns. Typically, one would invest to receive returns in the currency in which you expect to spend—essentially liability matching. For many of our clients, taking such a long-term view proves a difficult decision as they may be unsure whether the UK will be their permanent home. In terms of portfolio construction, this would generally only affect the fixed income allocation where we prefer to not take FX risk (fluctuations in the exchange rate can outweigh the expected return of fixed income investments).

UK Individual Savings Accounts (ISAs)

A widely used UK savings account called an ISA[7] can be an important planning tool once UK tax resident. Conceptually, the tax treatment is comparable to a Roth IRA[8] in the US — in that one contributes post-tax income and receives distributions tax free in the UK. Unfortunately, this is not a recognised tax wrapper in the US where it would be viewed as an ordinary brokerage account.

Given the differential in tax rates between the UK and US (e.g. income tax rates in the UK are currently 40% from GBP 50 270 but in the US are only 37% and from USD 626 350 for a single filer) it generally makes sense to take advantage of shielding investments from UK income and capital gains tax where possible and pay only the lower US rates. Annual ISA contribution limits are currently GBP 20 000 and, unlike a Roth IRA, do not have a five-year minimum investment period, age requirements or income thresholds to receive this beneficial tax treatment.

[6] www.gov.uk/guidance/check-if-you-can-claim-the-4-year-foreign-income-and-gains-regime
[7] www.gov.uk/individual-savings-accounts
[8] www.irs.gov/retirement-plans/roth-iras

Retirement planning

There are many similarities between US and UK retirement plans, nevertheless it is important to understand the key differences and terminology.

Definitions

Generally, US persons view a 'pension' as an employer-sponsored plan that pays a guaranteed income to employees in retirement based on factors such as duration of employment and final salary. On the other hand, 'retirement plans' tend to refer to Individual Retirement Accounts (IRAs) or 401(k) plans where the individual bears the responsibility to manage the account rather than the company.

In comparison, the UK uses the term 'pensions' to broadly capture all types of retirement plans or 'scheme' arrangements. The most common being a workplace pension or personal pension. These are tax-efficient ways to save for retirement. UK pensions enjoy the same benefits of tax-deferred growth and tax relief from contributions.

Importantly, the UK does not offer a Roth style retirement plan. However, because of the comprehensive double tax treaty in place, the tax-free treatment of US Roth accounts is recognised by the UK.[9]

Workplace pension

Similar to an American 401(k) plan, individuals and their employer can make regular contributions over the course of employment. There may also be matching opportunities available that are generally worth maximising. That said, these plans tend to have a limited investment menu from which to choose and, of the limited choices available, many will be UK concentrated funds (i.e., they will have a UK home country bias in their asset allocation). Defined benefit pensions are also offered by some employers; however, as in the US, these are becoming increasingly rare.

It should also be noted that in the UK workplace pensions are generally provided as a percentage on top of your annual contractual salary—compared to the US, where pension contributions are generally deducted from your agreed salary (with the opportunity for employer matching, in some cases). This often comes as a welcome surprise to Americans when considering employment opportunities in the UK.

Self-Invested Personal Pension (SIPP)

A SIPP is a retirement plan that has much wider investment choices and potentially more flexible retirement and death benefit options available than a traditional personal pension offered by an employer or insurance company. Similarly to US IRAs, this common plan can be used to consolidate or 'roll over' inactive employer pensions from past employment.[10]

Individuals also benefit from increased control to manage the pension and can continue to contribute over time. They can either manage their own investment portfolio or appoint an investment manager to do it for them. Notably, establishing a SIPP can potentially create additional US tax reporting requirements, and it is important to coordinate your retirement plan with your wealth manager and tax adviser.

[9] www.gov.uk/government/publications/usa-tax-treaties
[10] www.gov.uk/personal-pensions-your-rights

Contributions

Given the many tax advantages that are available for funding a pension or retirement plan, there are limits to the contributions that can be paid. US taxpayers in the UK need to be conscious of the 2025 limits to avoid overcontributing in each jurisdiction and resulting excess tax penalties.

US

For qualified workplace plans, employees can contribute up to USD 23 500 per year. This includes 401(k), 403(b) and Thrift Savings Plans (TSP). If aged 50 and older, there is also an additional catch-up contribution of USD 7 500 available. These limits do not factor in employer contributions. The aggregate limit across employer and employee contributions to defined contribution retirement plans is USD 70 000 in total.

The cumulative limit for both Traditional and Roth IRAs is USD 7 000 per year among all accounts.[11] If aged 50 and older, there is an additional USD 1 000 catch-up contribution available.

UK

Employees are able to make contributions of up to the greater of 1) GBP 3 600 or 2) 100% of their annual earnings limited to GBP 60 000,[12] across all schemes each year. The limit includes employer contributions as well. However, this allowance is tapered down for high earners, thus limiting the amount you can contribute should your income be over certain thresholds. It is also possible to utilise unused allowances from the previous three tax years if you were a member of a registered UK pension scheme. Salary sacrifice arrangements involve an employee agreeing to give up a level of their gross pay into the pension plan which can result in additional National Insurance savings.

Retirement age and distributions

It is not necessary to retire in order to take benefits from a UK pension, however the earliest age at which the funds can be accessed is age 55, increasing to age 57 from 2028. Since the funds in your plan are inaccessible, sufficient liquidity planning is essential.

[11] www.irs.gov/newsroom/401k-limit-increases-to-23500-for-2025-ira-limit-remains-7000
[12] www.gov.uk/tax-on-your-private-pension/pension-tax-relief

This is in contrast to many US retirement plans where the minimum age for distributions is age 59.5. Furthermore, unlike the UK, retirement funds are still accessible prior to this. However, a 10% premature withdrawal penalty is applied and potentially income tax as well.[13]

Regarding distributions, pensions or retirement plans are taxed in the country where you are resident. For example, if you move to the UK and take retirement income from a US Traditional IRA plan, the UK will normally have the first right to tax the distribution.

In addition, although US tax deferred retirement plans are subject to Required Minimum Distributions (RMD) from age 73, the UK does not have this concept and requirement from its pension plans.

Finally, when taking benefits from a UK pension, you have the option to take up to 25% of the fund as a tax-free (in the UK) lump sum. Among some tax professionals there is debate around whether this tax-free lump sum is taxable in the US based on language used in the US/UK income tax treaty. Professional tax advice is suggested when making this determination.

Pre-arrival retirement planning tips

Prudent strategies that can be undertaken prior to becoming a UK resident:

- Consolidate and organise US retirement plans for simplicity. It is much harder to make administrative or portfolio changes while overseas. Many US financial institutions also force closure of accounts once recognising that an individual is no longer US resident. This stems from the risk averse nature of US banks in dealing with international clients.
- Review retirement plan contributions diligently and take care not to exceed limits in each country while maximising tax relief.
- To further assist with organisation, consider a cash flow analysis exercise to holistically review your financial picture. This modelling incorporates various assumptions such as inflation, investment returns, tax rates, exchange rates and life expectancy to give you a clear roadmap and informed decision-making.
- If planning for retirement in the UK, consider a Roth conversion for your pre-tax retirement accounts. As a result, one can benefit from locking in lower US income taxes than the UK. In addition, taxable income is converted to tax-free income in retirement from both a US and UK perspective since the tax treatment is honoured in both jurisdictions.

Retirement planning across multiple jurisdictions can be complex. It is important to plan accordingly and seek advice where necessary.

[13] www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics

Education planning and can I use my 529s?

With education costs soaring in recent years, it is key to have a plan in place to manage the substantial burden of funding a child's education.

According to a study from the Georgetown University Center on Education and the Workforce, the average price of attending American universities from 1980-2019 has increased over 160%.[14] The average annual US university cost has now increased to USD 38 270 per year.[15] This includes tuition, books, supplies and associated living expenses. In contrast, tuition was free in the UK until 1998. Since then, the tuition fee cap for UK students has increased to GBP 9 535 per year.[16]

To provide a saving incentive for families, 529 College Savings Plans were introduced and are a popular planning tool in the US. The key benefits include tax-free growth and distributions on qualified expenses as well as state tax deductions in certain states. There are also multiple eligible international schools and universities approved by the US Department of Education, including many in the UK.

At first glance, this may seem like an opportunity for Americans moving to the UK to utilise this option to provide flexibility for their children's schooling in both countries. However, there are several pitfalls to consider while being resident in the UK which can potentially negate the tax benefits of a 529 plan.

UK foreign trust rules

529 plans are regarded as foreign trusts in the UK. In this structure, there is a settlor whose duties are to manage the funds, control investment decisions and regulate withdrawals to fund education expenses. The settlor is usually a parent or grandparent with a child or grandchild as the listed beneficiary of the account. In certain cases, the settlor and beneficiary can also be the same person.

Because the settlor has the power to use the funds for their own benefit, the UK applies settlor interested trust rules that can result in taxable income and gains on the account, even if no withdrawals are made.

Investment considerations

529 plans are state-administered plans which have a limited investment menu of fund choices. There is no ability to invest in the universe of direct stocks and bonds. Most plans offer primarily mutual funds that are considered offshore 'non-reporting' funds to the UK government which have a punitive tax treatment while one is UK resident.

As a result, if you sell non-reporting assets in your portfolio to pay for education costs, all gains realised are taxed at UK income tax rates which can be as high as 45%. In comparison, if the settlor and beneficiary were in the US, the distribution could be considered tax-free. It is important to note that if the 529 plan offers and is invested in funds with a UK reporting status, then the above tax rates can be reduced.

[14] cew.georgetown.edu/wp-content/uploads/cew-all_one_system-fr.pdf
[15] educationdata.org/average-cost-of-college
[16] commonslibrary.parliament.uk/research-briefings/cbp-10155/#:~:text=On%204%20November%202024%2C%20the,the%202025%2D26%20academic%20year

Residence rules and 'qualified expenses'

HMRC does not recognise the protection that 529 plans are granted in the US and the benefits covering 'qualified expenses' by the IRS.

Therefore, if the beneficiary is UK resident, both income and gains as a result of a distribution are taxable. This applies without consideration for the type of expense being covered by the withdrawal from the 529. While the US will treat distributions used for qualified expenses such as tuition, books, supplies, room and board as tax-free, the UK does not recognise this treatment.

Additionally, it does not matter where the educational institution is located if the beneficiary remains UK tax resident while attending school. For example, if a child was living in the UK with his family and decides to study at a US university, the likelihood is that the student retains their prior residence while away. This can result in taxes owed by the beneficiary on distributions from the plan to cover their educational expenses.

Consider your options

Reviewing 529 plans and getting appropriate tax advice prior to relocating to the UK is a critical step in your pre-arrival planning to ensure you are avoiding potential pitfalls in both jurisdictions. Although the UK does not have an equivalent tax-advantaged option for education planning, there are other solutions we can consider that are efficient on both sides of the Atlantic to achieve your family's education goals.

Banking

Establishing a robust banking foundation is essential when relocating to the UK, involving the selection of suitable current accounts and the management of credit profiles.

Current accounts

A vital first step when you arrive is to establish a UK checking account or 'current account'. As an American who has just arrived this can be difficult without any proof of address, such as a UK utility bill in your name. Some of the largest banks in the UK include HSBC, Lloyds and Barclays. There are also alternative options in the fintech space, which include Monzo and Revolut.

It is important to be aware that, in the US, in the event of a bank failure, your deposits are covered up to USD 250 000 per bank per person through FDIC (Federal Deposit Insurance Corporation) insurance.[17] Although UK authorised banks have a similar concept, the deposit insurance thresholds via FSCS (Financial Services Compensation Scheme) are lower at GBP 85 000 per person per UK financial institution.[18]

Credit status

If you have never lived in the UK before your move, you will likely have to build a new credit profile from the outset. Your credit score and history in the US will not carry over despite the UK using some of the same rating agencies (Experian, TransUnion and Equifax).

Some large card issuers such as American Express and HSBC may allow you to transfer to their UK counterpart card. However, many will not, and it is worth verifying this before your move.

Although you can continue using many US credit cards in the UK with no extra international charges, it is often that you will not receive the optimal exchange rate on purchases plus there will be a liability and income currency mismatch.

[17] www.fdic.gov/resources/deposit-insurance/faq#:~:text=A%3A%20Yes.,insured%20bank%2C%20per%20ownership%20category
[18] www.fscs.org.uk/what-we-cover/

Healthcare

The healthcare systems in the US and the UK differ significantly, primarily in terms of structure and payment. While the US system relies heavily on private health insurance, the UK offers a predominantly publicly funded system.

Accessing healthcare services

The National Health Service (NHS) in the UK is a residence-based healthcare system, and most services are free to people who are ordinarily resident (e.g. have indefinite leave to remain also known as ILR) or have paid their immigration health surcharge on being granted a temporary visa (e.g. a skilled worker visa). The latter allows you to access the NHS for the duration of your visa.

It should be noted that some costs, like prescription drugs prescribed via the NHS, require a contribution towards the cost, but this would likely be on smaller scale than most US residents would be accustomed.

Travelling to the EU

If eligible, you should consider applying for a free UK Global Health Insurance Card (GHIC) online which would allow you to access healthcare in EU countries (and some others, like Australia) on the same basis as a resident of that country.[19]

The type of healthcare that is covered, like emergency treatment, is explained in detail when you apply. You would want to bring this card with you when travelling abroad and it should be noted that this should not be seen as a replacement for travel or medical insurance. For example, it would not cover the costs of being flown back to the UK (medical repatriation) or ski/mountain rescue.

Registering with the local GP

If able to access the NHS it will be important to register with an NHS General Practitioner (GP). This can be a bricks and mortar office near you or a telemedicine-based NHS GP like Babylon GP at Hand / eMed. Furthermore, one might consider private medical insurance either independently or via your employer.

Waiting times for elective surgeries in the UK are at historic highs post-pandemic. Having private medical insurance would allow you to access a different (and, in many cases, faster) route to specialist care, certain specialist treatments and medicines that are not available on the NHS, or a particular doctor or hospital (most NHS patients don't have a choice and are based on where you live). Generally, you must have been resident in the UK for a few months before you can take out private medical insurance, unless you can access this via your employer.

[19] www.gov.uk/government/news/uk-launches-global-health-insurance-card

Real estate and planning

The UK property landscape presents unique features compared to the US, which can be integrated advantageously into your broader financial plan.

The vast majority of US mortgages are structured as a repayment (amortising) loan with a fixed 30-year term, essentially locking in the interest rate for three decades.

Unlike the US market, lenders in the UK generally offer fixed rates for two, three or five years (with a select few high street lenders offering ten-year plus fixed rates). This is not to be confused with the term of the mortgage, which can be up to 40 years in some cases. A UK mortgage adviser will be able to guide you as to what options may be available and suitable for your needs.

There are similarities in property ownership in the UK to the US, with ownership solely, jointly, or as tenants in common available options. Freehold/leasehold arrangements, which are more common in the London market, may be unfamiliar to many Americans. You should always seek independent legal advice from a conveyancer or property solicitor before agreeing to the terms of a lease.

Additionally, you should consider with your advisers how the type of ownership factors into your overall financial plan given the income and estate/inheritance tax considerations outlined below.

It should also be noted that estate agents in the UK represent the seller. While less common in the UK market, buying agents do exist and this may be a more familiar setup for US clients.

Case study: Intra-spousal gifting with appreciated UK property

In 2001, John Doe was a young American expat that recently relocated to the UK for an exciting and lucrative job opportunity in London. Not expecting to stay permanently, he falls in love and gets married a few years later to his wife, Helen Doe. Helen is a UK citizen and has no connections to the US outside of being married to John. Soon after the wedding, they decide to plant roots by jointly purchasing a London home outright in 2005 for GBP 250 000. They did this with a plan to stay for the long term.

20 years later, it is 2025 and they are enjoying life in the UK. They have started a family and are planning for their future retirement. They are in the beginning stages of searching for their dream coastal retirement home and are contemplating selling their existing London property to fund the purchase later this year. Their current home value has increased significantly and is now estimated to be GBP 1 100 000.

John and Helen approach us to discuss their holistic financial picture and evaluate tax and investment planning opportunities for a US/UK family.

Capital gains relief disparity

Capital gains tax is a classic instance of where US and UK tax rules mismatch. Currently, if Helen and John sell their London home, there would be GBP 850 000 in capital gains as a result of the sale. From a UK tax perspective, individuals do not pay capital gains tax when they dispose of a primary residence if you have lived in it as your main home for the entirety of ownership. This is called 'Private Residence Relief'. In this case study, both John and Helen will not owe any UK capital gains tax on the sale to fund their retirement home since they have met these requirements and have not rented their home out previously.

However, as John is a US citizen and taxpayer, we need to take into consideration how the IRS will tax the sale. Similar to the UK, there is beneficial treatment for selling a primary residence versus other assets, albeit not as generous. Individuals can exclude up to USD 250 000 of gains if certain conditions are met or USD 500 000 if you file 'married filing jointly'. To qualify for this deduction, one must have owned and used the property as their main residence for at least two out of the last five years before the sale.

Helen is not currently a US taxpayer, citizen or Green Card holder. Hence, John would be eligible for the capital gains exclusion of USD 250 000 on the sale of their London home. If sold today, he would realise USD 531 250 in capital gains on his portion of the property before the exemption is applied. John's lucrative job places him in the highest long-term capital gains tax rate of 20%. Therefore, John would be facing a US capital gains tax liability of USD 56 250 on the sale and and would also be subject to an additional 3.8% in Net Investment Income Tax (NIIT).[20]

How to efficiently mitigate the US tax burden?

Ahead of the sale, a simple planning strategy will be to consider using gifting allowances to shift a larger portion of property ownership to Helen tax efficiently (it must be a 'completed gift'). As a result, she can benefit from the UK Private Residence Relief on her increased ownership share where all capital gains tax will be exempt. Consequently, John will have dramatically reduced his ownership share and can take full advantage of the US capital gain exclusion of USD 250 000 with no additional capital gain liability due on the future sale.

[20] GBP/USD 1:1.25 – USD/GBP 1:0.8. We have also assumed the exchange rate to dollars was the same as the date of purchase in 2005

What are the mechanics behind this?

First, rather than owning the property equally as joint tenants, we would assess converting the home ownership to a Tenants-in-Common arrangement. This would ultimately allow John and Helen to own defined shares in the property and can be disproportionate when implementing a gifting strategy.

John has available an annual US gift allowance to a non-US citizen spouse of USD 190 000. On gifts over this amount, he can utilise his USD 13 990 000 lifetime gift tax exemption before any gift taxes will be due.

What this means is that John can use up his gift allowance on the first USD 190 000 and then can use his lifetime gift tax exemption on the excess to reduce his holding in the home to 24%. He is then left with a diminished share of the property and USD 250 000 in capital gains that will be exempt based on the exclusion listed above. This results in a saving of USD 56 250 in capital gains taxes when they sell their home later in the year and can also reduce any applicable net investment income taxes.

Considerations with a mortgage

Currency fluctuations

If John and Helen's London property had a UK mortgage, the currency fluctuation from the time the mortgage was taken out can add further complexity to their situation. The rationale is that, under US tax rules, the repayment of a foreign mortgage can trigger a 'phantom' gain or loss depending on how the currency shifts. For example, if the US dollar rises against the pound over the course of a UK mortgage term, the result will be an exchange rate 'gain' when the mortgage is repaid. Note, excess foreign tax credits can be used to minimise or erase this liability if available.

Stamp Duty Land Tax (SDLT)

SDLT is a tax levied on the purchase and transfer of UK (excluding Scotland) property or land over certain thresholds. If applicable, the tax can range from 2% to 17% and is based on 'consideration' which is usually money exchanging hands, or the value of a liability or mortgage being taken on. Since Helen did not take over any mortgage value from John as a part of their gifting, stamp duty will not be payable. However, careful planning should be undertaken when a mortgage is involved.

These are just a few additional factors to consider when reviewing the family's situation. However, this emphasises the fact that having a team of US/UK qualified professionals that understand your financial goals can be valuable in the long run. It is also crucial to stress the need for proper tax and legal advice when implementing these types of strategies. Where applicable, we can bring in our professional network of trusted tax advisers and lawyers to help assist Americans in the UK, so please do get in touch with any queries.[21]

> "Being sufficiently prepared means you will have time to optimise efficient planning strategies that may reduce the future tax burden.
>
> Swaati Osborne, Head of Wealth Planning

[21] www.gov.uk/stamp-duty-land-tax

Estate planning

Updating and reviewing wills is an often-forgotten exercise for those who own assets in more than one country.

Assets will be probated on death in accordance with the laws of that country, therefore having a valid will written under local law will be paramount. One can create a will which only covers assets in one country, and which doesn't revoke any prior planning. Furthermore, one might wish to appoint different executors in each jurisdiction for ease of administering the estate.

In addition, US Durable Power of Attorneys are not usually accepted in the UK. Therefore, it is prudent to set up separate documents in each country to appoint representatives to handle your affairs if incapacitated. It is important to note that the UK has a requirement to register Lasting Power of Attorneys in a centralised system with the Office of the Public Guardian. You can complete this registration online.

Trusts

Revocable living trusts are a popular estate planning tool in the US. They are primarily used to shelter assets from the time-consuming and expensive probate process in place across many states. Families also benefit from increased privacy and longer-term control of wealth across future generations.

However, the UK does not view these structures in the same way and pitfalls can arise if not reviewed properly. If you are associated as a grantor, trustee, or beneficiary of a non-UK trust, it is important to consult appropriate advice in advance of becoming UK resident.

Estate taxes and the importance of domicile

As outlined previously, understanding your domicile status is paramount when evaluating estate tax liabilities in the UK. The significance behind this stems from the difference in estate tax systems. In the US, each citizen or Green Card holder is given a lifetime estate and gift tax exemption amount of USD 13 610 000. For a married couple, that resembles over USD 27 million that can be protected on death from a 40% US estate tax. Please note this exemption is scheduled to be halved as of 1st January 2026.[22]

However, the UK has a limited inheritance allowance or 'nil rate band' set at only GBP 325 000. This affects anyone who is considered a long-term UK tax resident which is defined as an individual who has been resident in the UK for at least 10 out of the previous 20 tax-years. A long-term UK resident will be subject to UK inheritance tax of 40% on the total value of their worldwide assets more than the nil rate band.[23] Any non-UK resident would also potentially be subject to UK inheritance tax on any UK situs assets that were held at the time of their death.

For US taxpayers that are considering relinquishing their citizenship or Green Card in the future, special attention should be given to remaining US situs assets such as property and investment accounts in the context of their estate plan. The reason for this is that US Estate Tax will still be applicable on these assets and, as a result of renunciation, the estate exemption is dramatically reduced to USD 60 000.[24]

[22] www.irs.gov/businesses/small-businesses-self-employed/estate-tax
[23] www.gov.uk/government/publications/inheritance-tax-nil-rate-band-and-residence-nil-rate-bands-from-6-april-2028/inheritance-tax-nil-rate-band-residence-nil-rate-band-from-6-april-2028
[24] www.irs.gov/businesses/small-businesses-self-employed/estate-tax-for-nonresidents-not-citizens-of-the-united-states

Given the technicalities involved—particularly around deferring UK inheritance tax and US estate tax for a surviving non-US citizen spouse as well as the potential for double taxation on the estate on the second death—it will be important to discuss plans with your qualified tax and legal advisers.

Gifting

A common solution to reducing estate tax exposure is by way of gifting. The annual US gift tax exclusion is USD 19 000 per donee. Gifts in excess of this begin to chip away at the lifetime gift and estate tax exemption listed above. A married couple could gift up to USD 38 000 to individuals without paying gift tax or using their lifetime estate exemption.

In the UK, direct gifts to individuals (above an annual GBP 3 000 allowance per donor) qualify as Potentially Exempt Transfers (PETs). In this case, the gift will no longer be part of the estate (for UK inheritance tax purposes) if the donor survives seven years from the date of the gift. This can be a great tool for wealthy individuals to reduce your estate over time. On the other hand, gifts into certain trust structures are treated differently and may give rise to immediate inheritance tax charges.

Life insurance

Purchasing adequate life insurance can be a cost-effective solution to protecting against a future estate tax liability for high-net-worth individuals. This can be especially valuable for Americans who become subject to UK inheritance tax on their worldwide assets given the large disparity between the two countries estate exemption thresholds.

Consideration should be taken with regards to properly structuring the policy in a tax-efficient manner. This can be done via an Irrevocable Life Insurance Trust (ILIT) to guarantee the death benefits are paid out tax free and not included in the descendant's taxable US or UK estate. The ILIT structure is also advantageous in avoiding probate and provides liquid cash to the family to pay liabilities in both jurisdictions. However, care needs to be taken around using trusts with life insurance and taking advice is recommended.[25]

[25] www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2025

Pre-arrival estate planning tips

- Review non-UK structures in place, such as US revocable living trusts and irrevocable trusts that you are connected to.
- Accelerate gift planning when possible. For ultra-high net worth persons, consider accelerating your gifting strategy prior to the US estate exemption sunset beginning in 2026.
- Review existing life insurance and annuity policies to ensure tax-efficiency in the UK.
- Consider the use of excluded property trusts to transfer overseas assets into prior to becoming UK domiciled. This can be beneficial in protecting assets from UK inheritance tax in the future.
- For those with philanthropic goals, consider making charitable donations through a dual-qualified donor advised fund (DAF) that is tax efficient in both countries. The US will provide an itemised tax deduction on your US return, while the donation will qualify for gift aid reclaim and a tax credit on your UK tax return.

Summary

US (2025)[26]	
Lifetime estate exemption	* USD 13 990 000
Annual gift tax exclusion per donee	USD 19 000
Non-US spouse gifting allowance	USD 190 000
Non-US domiciled estate exemption	USD 60 000

* Expected to half as of 1 January 2026

UK (2024/2025)[27]	
Nil rate band	GBP 325 000
Residence nil rate band	GBP 175 000
Annual gift allowance per donor	GBP 3 000[28]
Potentially exempt transfers	Unlimited

[26] www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2025
[27] www.gov.uk/government/publications/inheritance-tax-nil-rate-band-and-residence-nil-rate-bands-from-6-april-2028/inheritance-tax-nil-rate-band-residence-nil-rate-band-from-6-april-2028
[28] www.gov.uk/inheritance-tax/gifts

Other important considerations

Moving abroad requires careful planning and preparation to ensure a smooth transition and successful integration into your new country. There are a complex array of considerations you should be taking into account – we have summarised the key ones below.

Registering with the US Embassy

On arrival, you might consider enrolling with the US State Department's STEP (Smart Traveller Enrolment Program). This allows the US Embassy to contact you and provide assistance in case of emergency—as well as providing specific information about voting, Federal benefits that may still apply, or US embassy events specific to the UK. Further details can be found here:

UK customs charges

It is important to note that when moving to the UK you may have to pay customs duties and VAT at rates of up to 20% of the value on your personal belongings if you decide to import them from the US. A 'transfer of residence' (ToR) relief may allow you to reduce this to 0%; however, certain conditions apply—including a deadline to import the items within 12 months of coming to live in the UK. Further details on the applicable rates and eligibility to claim ToR relief can be found here:

Driving in the UK

If you have a US driving licence, this will generally be valid for one year after you become resident; however, you should check the most up-to-date rules online. After one year, you will need to apply for a provisional UK licence and take the theory and then practical driving tests.

In many Americans' experiences, it is more difficult to pass the UK practical test than the US equivalent and driving lessons will likely be required. Regardless of the one year allowed on your US licence, it may be useful to have a provisional licence sooner as a UK-accepted proof of ID that is not your passport.

Voting

Additionally, if you are eligible to vote in UK elections (e.g., if you are a commonwealth citizen) then getting on the electoral roll may be useful for more than participating in upcoming elections. In the UK, when you register to vote this is also recorded on your credit report and can help build your UK credit profile. It should be noted that if you are resident in Scotland or Wales, you may be allowed to vote in local elections even if you are not eligible for national elections.

National Insurance

Similar in theory to a US Social Security Number, the UK assign a National Insurance number which should have been issued when you received your visa. This can also be found on your payslips, P60, or the HMRC app.

Like Social Security in the US, National Insurance contributions allow one to qualify for certain benefits (subject to limitations attached to your visa) and the State Pension.

We have published a separate article on the totalisation agreement between the US and UK which, in summary, may allow you to use credits from working in one country to qualify for benefits in the other. However, initially it should be noted to keep this number safe and to hand as you may need it to open a brokerage account or ISA, liaising with HMRC, registering to vote, etc.

Notifying the IRS

You should consult your US tax adviser on filing Form 8822 to notify the Internal Revenue Service (IRS) of a change to your mailing address in case they need to be in touch in between filings.

Accessing UK apps

In order to download UK versions of mobile phone applications (apps) you will first need to change your country in your phone settings. There are several UK-specific apps which may come in handy like the NHS and HMRC apps. This will also be required to download apps for UK-based mobile phone service providers, utility companies, retail banks, etc.

Expatriation

Lastly, some may find that, over time, the burdens of US citizenship outweigh the benefits and therefore look to expatriate. It is important to note that an 'exit tax' may be applicable. Generally, this tax applies US capital gains tax on your worldwide assets as if you sold them the day before you expatriate. The details, of course, are much more complex and nuanced and therefore specialist advice is necessary to determine if you are a 'covered expatriate' and what you tax liability could be.

About us

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Originally from the Washington D.C area, Daniel joined LGT in 2022 to support the team's Wealth Planning proposition and US connected private clients. Daniel has since transitioned roles to become a Wealth Manager. Before moving to the UK, he spent over three years as a financial adviser in North Carolina with UBS Wealth Management. As an American expat, he benefits from personal and professional experience in navigating the cross-border complexities of managing wealth across the US and UK.

Daniel is dual-qualified as a CERTIFIED FINANCIAL PLANNER™ in both the United States and United Kingdom. In addition, he also holds a Bachelor of Science from Christopher Newport University.

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Adam is a Portfolio Manager at LGT where he manages discretionary portfolios for US connected clients. Formerly, he was an Investment Consultant at Credit Suisse in London and Banker at J.P. Morgan in New York, responsible for endowment and foundation relationships. Prior to his former roles, Adam was a member of J.P. Morgan's Cross Border Advisory Team which focused on the planning needs of multijurisdictional, high-net-worth families with members and assets in various countries around the world.

Adam holds a Master of Finance from Sidney Sussex College, Cambridge, Master of Accounting from the College of William & Mary, and Bachelor of Science, summa cum laude, from the University of Alabama. Adam qualified as a New York State CPA (now inactive).

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