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Take the risk out of investing in the U.S.

Consult an expert to avoid paying excess estate taxes

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If you purchase a property in the United States worth US$1-million, and your worldwide estate is worth US$6-million, your estate would be taxed US$360,000 in the U.S. when you die. And if your U.S. property is in your name only, it could be tied up in probate, costing up to 3% of the market value of the property.

"The typical Canadian has no idea that upon his death, any property he owns in the U.S. will be taxed by the Internal Revenue Service," says David Altro, a lawyer in Montreal who is also licensed to practise in the United States.

(You are subject to a U.S. estate tax only if you own U.S. real estate and the value of your worldwide assets exceeds US$2-million. But this can be minimized with a special non-recourse mortgage that reduces the U.S. taxable estate.)

Since 1984, Mr. Altro has worked with clients who own properties south of the border. He deals mainly with high-net-worth individuals and the need for his services has been so strong, that he's recently set up offices in Toronto and Calgary, in addition to existing offices in Florida and Montreal.

To avoid probate and minimize the U.S. estate tax, Mr. Altro says there are two simple solutions that can be employed before or after you purchase a property:

"Probate may be avoided by holding ownership of the property in a cross border revocable living trust. In this type of trust, you are the trustee and beneficiary so you don't have to pay any outside party to be involved. You control the trust and on your death, the property goes to whoever you wish.

"We created this structure with RBC Centura, a U.S. subsidiary of RBC," explains Mr. Altro. "This tax deductible mortgage was rolled out in May.

"Canadian residents have a powerful dollar and realize the Florida market has dropped 30% to 40%," he says. "In three or four years, the loonie won't be so high, so this is a great opportunity.

"Right now, we have a lot of clients selling existing homes and buying bigger properties. Since the Canadian dollar is worth more, they're paying less capital gains tax. Nobody knows exactly where the bottom of the market is, but it's close and you don't want to miss this opportunity."