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NKP - David Niuefeld.wpp.m4a

Transcript

But we know the drop. we Oh. Don't know the ocean.

Hello and welcome to the New Knowledge podcast. My name is Mark Singer, partner of Newton 1 advisors and I'm joined by our managing partner Steve Target. Steve, how are we?

Today, Mark, thanks for asking. I'm doing very.

Well, the New Knowledge Podcast will provide meaningful content to our valued advisor community and anyone who is interested in learning more about sophisticated insurance related topics. Focused on estate planning and executive benefits, our discussions will deliver unique insights into the people, processes and. Products that make our industry so critical, Newton one is a national life insurance planning firm delivering customized solutions structured to help clients and their advisors engaged in solving a state planning wealth transfer business succession and executive benefits challenges. We are a member of the M Financial Group, which grants our clients access to the nation's elite carriers and exclusive. Products available only through our network. We're joined today by David Neufeld, a lawyer with Flaster Greenberg terrific multi Practice, 75 lawyers in total with offices in Philly as well as along the the East Coast. David heads up his Boca Raton, FL office and has many years practicing in New Jersey as well as New York and Pennsylvania. David as a tax and estate lawyer. Known nationwide as amongst the best today we will we will be looking at how taxes are affected by where you live. Our main focus will be on where one lives in the US and state tax consequences. David does leaving the US free someone of paying USD? Max and is that? Is that what happened with this particular celebrity case with Tina Turner situation?

Gentlemen, thank you for having me on it. It's interesting. You know where you live and it does actually impact on the taxes you pay, clearly. And that's whether you move from the United States outside the United States or you move within the states. So in this case. We have a situation which seems like it might be sort of a classic case of leaving the United States for tax benefits. I'm not so sure that Tina Turner actually was that situation, but regardless of what she did or why she did it, it does bring to a conversation. Why people do things like this otherwise? Generally the the the thinking is that if I leave the United States, I no longer have to pay US the tax or maybe the state tax. So that may be the case. But not really. Typically, first of all, when we say leading races, what we really need is giving up your citizenship. Right now, a lot of people you know that is that just moving, not a lot of people really want to give up the US citizenship, but if that's if if it's worth it enough. And there are plenty of people who are making a billion dollars on a sale of a business, think it might be worth it. Might might try and do something like that. However, it doesn't quite work the way we would like to see it work. First of all, if you are under under the current state of law, if you give up your citizenship, you actually have to accelerate the gains on all of your property and pay tax as if you have sold everything so right off the bat, it's it, regardless of what you might account. English after you leave this country, it's going to cost you a lot of money, even if you're out. Of. The country and you've relinquished your US citizenship and you have family back in the United States and you want, and then you give them a, you die and you, you give them a request or you give them a gift. There's going to be still a state. Tax of gift tax effectively paid on on that transfer. So it doesn't on the face of it, doesn't really do what the football wouldn't the case. However, having said that, every law has its exceptions and has its its gaps, and there are certainly ways of relinquishing of the US citizenship where your green card. If you're here. For long enough and not necessarily bearing the full. Both of those taxes, or by making gifts to family. Members without necessary bearing the brunt of that tax. Having said that, it's way, way, way too deep in. The weeds to. Go into the how the housing wise just suffice it to say that for the most part, there's a substantial cost to it tax cost. And if you're situated in the right position and you're working with the right counsel. You might figure out a way of saving. Something back. So Tina Turner, maybe she. Maybe. Her family did. I think out of all this I can't say particularly, but her situation is probably not not illustrative of of things that everyone could do.

So I have a follow up question of that. We're actually working on a case right now with a a family that's considering moving to Italy and for a state tax purposes they are well above the the exemption if I understand what you're saying. Actually, the taxes are still going to be paid if they relinquish citizenship to Italy, but if they still have assets in the US, or if that most of their assets are in U.S. dollars, is there ways they can? No, I guess minimize or mitigate the the taxes or their goal being to? Eliminate some of the estate tax by moving to Italy. Is that is that a a fair assessment?

There are almost always planning opportunities, sometimes greater, sometimes lesser, often planning opportunities that we can accomplish. We can, you know, grab on to not knowing anything about this case. Obviously, I can't say whether they have or they have not, they they have access to these opportunities. But one of the one of the estate tax issues over here it's it's actually referred to as an inheritance tax because of who pays the tax. But it the trigger on a gift or request if it goes to a U.S. citizens, this family moves out. And if every one of their family members relinquish. Their citizenship? Maybe there's an opportunity there to to do. Some tax planning.

Their children would have to move as well, then the. Entire family.

That's right, as long as it's going to a U.S. citizen. If the money goes back to a U.S. citizen, the US citizen. Pays the tax.

Well, David, let's, let's pull. This back to the United States now. And as we all have clients that it, it seems to me like even over the last three years we're seeing more folks that are. That are living in the northeast. Maybe they're Pennsylvania Jersey, New York, that are looking to buy homes in Florida might be the weather, it might be other reasons. Maybe it's the taxes in Florida, maybe it's the estate taxes, income tax and estate tax. But it is it that simple that you can just move your rez. Finance or have a residence in, for example, Florida and eliminate some taxes to kind of walk us through some of the challenges and and also opportunities.

I will say, look, I'm. I'm in Florida and the weather is an attractive element. I remember when I moved myself down from the Northeast, I was very pleased to get rid of my snow blower. I will tell you that the that the taxes tend to be seem to be a much bigger motivator for a lot of people. And yes, the answer is you can change your residence and you can for yourself of state income tax and state to state tax if that's if, if if that's a factor, but it's not exactly as easy as people seem to think of it. I think it is. I can't tell you how many people. I had a conversation with let's say something like. Well, I'm out of Maine. The state, you know, New York, New Jersey. Pennsylvania. I'm out of. That state for 100 and more than 183 days. So I don't pay any tax. I am a resident of Florida. And my answer to them is well, I'm sorry to tell you you're wrong. That's not all it takes. I will tell you that, that, that and then I get resistance to that. Of course it is. My friend doesn't pay tax. He, like, does. Well, if. If. If Laura was was because my friend did something well. I should buy the same lottery ticket numbers he got when he won the lottery. So you know. So no, it's not as simple as that. The problem is and and in fact, inevitably, the conversation comes down to. Look, I could. I could help you. Structure yourself right if you want, but or if you prefer to just wait. I can help you fight it away at about 10 times the cost. So the the real problem. Is that people don't understand the rule. OK, there's a rule on that says that if I am and and by the way, we're focusing on people to make it easy for the conversation that have a home or some what we call a permanent place of a boat, but call it a house argument, right in both the northern state and Florida. OK, there's nuances here. We're not going to get involved. It is entirely possible that let's take someone in New Jersey that that Mister X spends 2 months of the year. In New Jersey and 10 months in Florida, and it's entirely possible he has to pay all the tax in New Jersey that New Jersey wants all the income tax, all the estate tax, if it ever comes out to, I'm sorry, no estate tax. But if there's an inheritance tax. Potentially in New Jersey, in New York, there is an an estate tax. So it's entirely possible that that it doesn't matter that they're around 483 days. The reason is the rule of only three days Rule says. It must. You'll have it backwards. It doesn't say if I'm out 183 days. I'm free. What it says is if I'm in. The northern state for 183 days or more, then I lose, right? But it doesn't. There's the colorway, isn't that? I win if I'm out. OK, so that's that's the problem. Most people don't understand. That. And it comes when we do this analysis. It comes down to everyone, frankly, when the auditors do this analysis, we're not making the rules. What we do is we do these contrived audits, if you will, right? We look at some situation, the way an order would look at it. And and and determine. Whether they should be subject to. Tax the first thing we look at is what's called domicile. Right domicile is is where in, in, in, in, in the court, in the cases, is it sort of says? The place you return to when you're away. I like to look at it as if everything went to hell in your life. And all you had is 2 houses. Where would you live? You. Know where would you go back to? Would it be the place where you're up north with your family? Your kids are your grandchildren, are, you know? Would it be the place of Florida for whatever reason that that that's not how it's defined. But, you know, these are their missile is is sort of, you know, if they read someone's mind, what are their intent? Where do they intend? To be living and and you can't really make determinations on things like that. So what they look at is they look at factors, right. To read your mind. And they say things like, where is your family? I mean, do you have little kids in school? I mean, are you trying to tell me that you've got, you know, a fourth grader up in New York in school and you're living in Florida, you know, and. I'm not talking about. You know rotten, you know, public school, so. They look at things like. Where? Where did you move all of your? Important personal effects. You know the family photo albums. You know, I had a client who had a multimillion dollar antique auto collection up in New Jersey and and wanted to keep it up there with the house up there instead of for some reason not move it down. To the new house in Naples. Well. First of all, why keep a multi $1,000,000 auto collection and snow and salt? But besides that my answer to them was no matter whatever else we do with this planning, if you leave that collection up there, you're going to lose your case because that's important to you, right? These are the important things. You know where you want to see the things you love. See, so there are all sorts of there's five basic factors that they look at. You know, they also look at these other things, you know, where did you get your, you know, do you have a driver's license someplace, you know, library card when you vote? But frankly, those elements everybody thinks that's really important, right? 183 days add I have. A driver's license. Not that big a deal. OK, if you don't do it, you'll lose because those are just too easy, right? You have to do it. If you don't do it, you lose. But. That you do it doesn't matter that much. OK. It's it's an interesting little dichotomy there. So what they're really looking at is sort of this nuanced. Wolf. Crafting your life. You know what's really important in your life and what draws you to a home? What's what is a home, right? That is what?

They're looking for. How does this typically work? Is it the estate tax is filed and and the burden of proof then is on the estate. OK. Our residence is Florida. But then there are other residences in New York and New York comes back and says we'll prove it to us, or Florida says prove to us is that typically how it rolls out.

Yeah. So for the most part, Florida doesn't care. OK, now, now that's not entirely true, right? We have in Florida, we have a whole concept of homestead and things. And and you have to have your primary residence down here for it to be your homes. It's a Florida does more or less care, but they're not going to you. Know if, if if you more or. That's sort of touch the right basis. You could establish homestead down here fairly easily. The the state that cares is a state that's losing the money, right? There's no income tax in Florida, right? That's the whole point. There's no state tax in Florida. So the the burden of proof is on the is on the party. Who's saying that residence has changed. So if if I'm. Moving to from, you know the north to the South and and I'm saying that now I'm going to be a resident of Florida if I get audited by the former state, it's. My burden of proof. It's it's my burden to prove that I've. Moved but by. By the way, let me just say that that domicile I described thermophile moments ago, right, if I am successful. Improving that, my domicile is Florida, that I've done all these things. I've moved all the things that are important to me. I've proven that this is my home in Florida. I could still be taxed in New Jersey or New York. And and you. Know these other States and that's because and that's. Where the 183 eighty rule. Comes in right it. Says even if I'm a domicile. Place if I have a permanent place of a boat. If I have a house. Up in New Jersey, I am in New Jersey for more than 183 days. Then, even though I'm the domicile, I will still pay income tax to New Jersey as a New Jersey resident. So. So that's the whole point is that now they so they look at all of these.

Don't domicile. Seems pretty objective.

Criteria. Right. They look at these subject, you know these these these concrete criteria to try and come up with this, this amorphous concept, but but that's not unusual in the law. We're always looking for intent. They're always looking to figure out what indicates intent. If we can't just trust you to tell us. Right. So.

I'm sure this happens a ton. How does if someone wants to keep ties in the Northeast, how do they avoid legally avoid being subject to taxes in those states if they also reside in Florida?

So how do you tie is? Is that a problem? Funny people have ties. There's nothing wrong with having ties. It's it's the magnitude of the ties.

So what what magnitude of time should 11 be wary of?

You know. Sometimes people say, look, look at the value of the two houses you have, right? And if I have a two-bedroom apartment at some place and in the middle of new. Clearly, as opposed to a mansion in Florida, you could say, look, yeah, it's a convenience, right? Or if I have even a vacation home on the shore, people understand people do things for vacation. That's not a tie that's necessarily going to trigger attacks, right. But, you know, you can't do that. I have a $7,000,000 condo in in New York City that may be very well 6-7 hundred square feet. You know that's it's you know so so it's not a completely accurate rule. It's interesting. They'll look at things in an audit, they'll look really. Deep in ethics, they'll look at your moving receipts, right. And they'll look at your insurance premiums and say, where are the things where you keep in the jewelry, where do you keep your mom? Grandma's Hummels. Like, like to say, you know, family photo albums, you know, did you move down? They're very value. Piano that you have. You know there's things being sure. So they look at these kinds of things. If if you don't have these things following you, you know it's one thing, of course to say, look, I've got two of everything right. So if you don't have these things following you, that could be an issue. You make an argument. The very fact specific and therefore the planning for this is very detailed. They don't walk into a lawyers office one day and say I'm moving tomorrow. Let's prove I'm not a rest. In in a very in the situations where they get complicated and expensive, you know, and there's a lot going on, you want to be clear that you've planned this thing properly and things quite a while, sometimes months and months to do the proper planning.

One of the I guess observations from Mark and I and specifically our firm is that the activity. And the amount of of inquiries we get from the community about estate planning with this looming January 20th, 26 deadline that's coming up, that could impact many more people. I mean the estate tax now or January 26, you know certainly going to impact. A larger percentage of the Pope. Solution and so I guess the the question is, you know there's other solutions beyond what we do, which is structuring life insurance policies and having them tucked into a trust and and create this wonderful tax free environment. But there's other solutions and some of those other solutions. Involved. Meeting with you, as you just said and and having enough of a a timeline and an advance deliberate decision making process about residents and where to live and and how to structure this. So I guess maybe our our final question and and there may be something else you want to add, but our our final. Question would be. Give our audience some advice on. And maybe when to start thinking about meeting with you, when to start thinking about residents and domiciles and where things are and ties to different states, is it? It's not one day, is it three years? Is it six years and and you know how long does it take to to to line up the affairs appropriately so that you can prove? And you can achieve what you want to achieve.

So that's actually a very insightful question. Every client's different right, I I will say that if there's a common denominator, it's not. Don't show. Up a week before. But in some cases, I'd say, you know, four or six months of planning. In some cases, it could be a year or two. Years of planning. It depends on how complicated one's life is. And it also to some extent depends on how much we're talking about savings. I'd say the sooner the better. It's never too soon, right, because we could always say come back to me in a year, but too late. It's always too late. So from that point of view, I think you you have to come into this with the expectation that this is a serious planning. Ventures and that we we need to be very conscientious about it and not just sort of kiss it off as. If I only need to be someplace for 183 days and get a driver's license.

Yeah, there's consequences to all the decisions, right? I mean, if you're, if you really are changing where you're living, that folks need to think through what that means.

That's right. That's right. And it's very it's, it's very involved. That's exactly right. And going back to something you mentioned earlier by the way, I will say that that any time we're talking about a substantial amount of tax, we always understand the value of life insurance. Right to cover that, that that ultimate cost. And life insurance has that unique benefit of covering those those taxes and the the concept of residency is not necessarily hand in glove with life insurance, but it's. But nothing is necessarily immune to to tax and. So from a federal standpoint, which we're never talking about getting away from federal tax when it's talking about state tax residency, you know what we do know is that. Today, ah, couple can leave $26 million and have no estate tax in in a couple of years, January 1st, 2026, we're talking about probably somewhere between 12 and $14 million, which opens up the whole mess affluent market. To people who are exposed to tax and those who have, who proved the need for. Life insurance to pay tax in the past I'm going to find that they have this, this new need and I've always been a a a big fan of the use of a properly structured, a properly priced life insurance policy to to solve that problem.

We appreciate your time. You've provided some very, very good information, very applicable. It's funny. I was just at a I was just on at an event and I was speaking with a a business. Owner and he said he just moved to Florida for the weather, but also for for tax reasons. And I said, well, how do you how do you qualify as a, as a resident or or how do you become an actual Floridian? And he said you only have to be there 183 days. So after this conversation, that couldn't be more incorrect, huh.

Absolutely. I mean, he may still be doing things right, but I will tell you that that's not the right answer. And if, if, if, if he or others clients of yours really think that make sure they have my card because they, they're either going to have, they're either going to need it now. To make sure they do it right, or they're gonna definitely need it later. Whether they get audited and those except, it'll just, as I said before, it's probably about 10 times the cost so.

I'm sure he'll listen to the podcast.

Anyway, yeah, it's it's, it's actually quite. Sad I I feel bad for a lot of these people because they really do believe this. And and they they listened to the guy in the, you know, in their in their. You know, Country Club that just just got it all backwards. So.

Well, David, that's all we have for today. Is there anything else?

You wanna you want to add? No, just thank you very much for having me. And it's always. It's always a pleasure to speak with you guys. You're you're. You know you're you're you're at the top of your game. And I was, like, dealing with people at the top. Of that game.

Feel the feelings. Very mutual. Thank you, David, for your time, David Neufeld.

Absolutely.

Bye bye.

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