

This guide provides a comprehensive overview of life insurance options tailored for non-U.S. residents and foreign nationals, addressing their unique financial challenges and opportunities in the U.S. The foreign national market is divided into two categories: nonresident aliens, who are not U.S. citizens but may have significant ties to the U.S., and resident aliens, who live in the U.S. without citizenship. Both groups have similar life insurance needs, including income replacement, legacy planning, and debt cancellation, yet they face distinct challenges related to residency status, economic risks, and tax implications. Nonresident aliens may be subject to U.S. federal estate taxes on their U.S. assets, which can be mitigated through life insurance planning. For example, a nonresident alien with U.S. assets can use life insurance to cover potential estate taxes upon death. Conversely, resident aliens are liable for U.S. estate taxes on their worldwide assets, making life insurance a strategic tool for offsetting these taxes.

The guide elaborates on U.S. income tax laws, which classify residency based on the "substantial presence test," requiring individuals to be physically present in the U.S. for a specified number of days. Non-U.S. citizens with permanent visas are generally subject to U.S. income tax, while those without such visas can avoid residency status by maintaining a closer connection to their home country. For estate and gift tax purposes, a non-U.S. citizen is considered a U.S. resident only if domiciled in the U.S., determined by various factors indicating intent to remain. Nonresident aliens are subject to U.S. estate and gift taxes only on property located within the U.S., with specific situs rules clarifying that gifts of U.S. real and tangible personal property are taxable, while intangible property is generally exempt. The guide also notes that the U.S. has tax treaties with several countries to prevent double taxation, which is essential for financial professionals assisting foreign nationals with their life insurance needs and tax obligations.

The insurance policy document specifies U.S. gift and estate tax situs guidelines for nonresident aliens, detailing taxable and non-taxable property types. Real property, tangible personal property, and certain financial accounts in the U.S. are included in the taxable estate, while intangible

personal property, such as stocks and mutual funds, is generally excluded. Gifts of cash for life insurance premium payments are subject to gift tax unless they fall within the annual exclusion limit. Nonresident aliens face a significantly lower estate tax exemption of \$60,000 compared to \$13,990,000 for U.S. citizens and resident aliens. The document also discusses Qualified Domestic Trusts (QDOTs) for noncitizens married to U.S. citizens, emphasizing that transfers exceeding the exemption limit may incur tax liabilities unless structured properly. QDOTs allow for the unlimited marital deduction under specific conditions, including that all income be paid to the noncitizen spouse for life and that a U.S. citizen or domestic corporation serves as a trustee. Taxation of QDOTs is triggered upon distributions of trust principal, the death of the surviving spouse, or if the trust ceases to qualify. Furthermore, U.S. life insurance policies offer advantages for nonresident aliens, as death benefits are excluded from the U.S. gross estate and are not subject to federal income tax, providing a tax-efficient means of wealth transfer.

Prudential's life insurance underwriting considers the increased mortality risks associated with non-U.S. residents who spend significant time outside the U.S. A non-U.S. resident is defined as someone who spends more than six months a year outside the U.S. or has dual residency, among other criteria. All insurance transactions must occur in the U.S., including application completion, medical examinations, and contract delivery. The proposed insured must have at least one meaningful connection to the U.S., such as U.S. citizenship, a U.S. citizen spouse, ownership of U.S. real estate or a business, verifiable U.S. tax liability, or significant U.S. assets. To initiate the insurance process, the proposed insured must have a minimum global net worth of \$2 million and complete the Non U.S. Resident Disclosure Form if not a U.S. resident. For policies with face amounts of \$1 million or more, third-party financial documentation and a passport copy are required. Applicants must demonstrate ongoing health maintenance, with medical examinations and necessary tests mandated. Special considerations apply for residents of mainland China, including additional documentation and potential delays in information gathering.

The minimum policy face amount for non-U.S. residents is \$250,000, with specific limits based on the applicant's region and age. Prudential can issue higher amounts of coverage, subject to reinsurance limits, and maximum coverage limits vary by region, with specific caps for different rating classes and ages. Individuals active in foreign military or government services may be excluded from coverage. Prudential encourages financial professionals to engage with foreign nationals by identifying communities, understanding their challenges, and leveraging referrals. The company offers support for professionals entering this market, including consultations for policy design. This material is for informational purposes only and does not constitute legal or tax advice. Life insurance policies contain exclusions and limitations, and clients should seek independent counsel regarding their tax situations.