

# Cross-Border Wealth & Tax Optimization

★ NAVIGATE THE HIDDEN TRAPS ★

GLOBAL  
FINANCIAL  
PLANNING

TAX OPTIMIZATION

DIVERSIFICATION

AVOID DOUBLE  
TAXATION

Join Us March 5th 2026 at 5:30pm  
at the Lycée Français de Chicago (+ Zoom)

RSVP: [tinyurl.com/FACC-5Mar2026](https://tinyurl.com/FACC-5Mar2026) Slides: [tinyurl.com/BFM-2026](https://tinyurl.com/BFM-2026)

CELEBRATING

15  
2009-2024

Bourbon Financial  
Management

 FRENCH AMERICAN  
CHAMBER OF COMMERCE  
Chicago



**BFM**

Bourbon. Financial Management  
Excellence. Expertise. Ethics.

# Slides





I brought 60 slides today...

But don't worry – many of them are cartoons.



Not because the topic is simple... but because it turns out people remember pictures much better than a cross-border financial planner talking at them for an hour.







**We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful**

- Warren Buffett



**"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."**

Warren Buffett



**"Risk comes from not knowing what you're doing."**

- Warren Buffett

**"Our greatest glory is not in never failing, but in rising every time we fall."**

- Confucius



**"The investor's chief problem — and even his worst enemy — is likely to be himself."**

- Benjamin Graham





# Patrick Bourbon, CFA, CFP

## 25 Years Investment / Financial Planning Experience

**Your Personal CFO - Knowledgeable in**  
preserving & growing your wealth, investment / tax /  
retirement / estate planning, asset allocation, and  
cross-border financial planning.

- ✓ - Founded BFM in 2009
- ✓ - UBS Global Asset Management (2000 - 2010)
- ✓ - Managed billions for 70,000+ people
- ✓ - Chartered Financial Analyst (CFA - 2003)

• Certified Financial Planner

M.S. in Finance (Chicago)

M.S. in Engineering (Paris)





# Agenda




## Summary



## Why This is Important



## Inflation – Retirement – Diversification – Stocks



## Cross-Border Financial Planning



## Taxes and Issues for Expatriates





# Summary

- Stick with your Financial Plan – Stay Invested



LONG-TERM

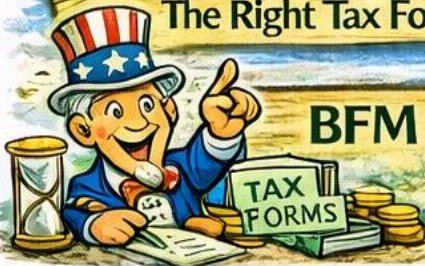
- Do Not Time the Market – Don't Panic (Uncertainty = Opportunity)



- Review and Rebalance your Globally Diversified Portfolio



- Avoid Double Taxation – File The Right Tax Forms to Avoid Penalties



**BFM** newsletter about improving decision making:  
<https://tinyurl.com/BFM-Decision-Making>





## KEYWORDS - SUMMARY SLIDE

DO NOT TIME THE MARKET

**GLOBAL PORTFOLIO**

**FBAR**

**RISK MANAGEMENT**

**PFIC**

**BONDS**

EXPATRIATES

STOCKS

ESTATE PLANNING

**DIVERSIFICATION**

ASSET LOCATION

**CROSS-BORDER FINANCIAL PLANNING**

**INVESTING**

CASH

**TAX OPTIMIZATION**

HEALTHCARE COSTS

HSA

**CURRENCY RISK**

**TAXES**

ROTH IRA

401(k)

**FATCA**

**RETIREMENT**

**STAY INVESTED**

**INFLATION**

INTERNATIONAL

**ASSET ALLOCATION**

MUNICIPAL BONDS



# CROSS-BORDER FINANCIAL PLANNING



## MISTAKES



**Tax  
Misunderstandings**



**Currency Risk**



**Retirement Planning**

**Foreign assets**



## SOLUTIONS



**Expert Advice**



**Diversified  
Investments**



**Tax Planning**



**Currency  
Strategy**





# WHY THIS IS IMPORTANT!

## SECURE FUTURE



## ACHIEVE YOUR GOALS!



## AVOID DEBT!



• Financial Security



• Achieve Your Dreams



• Peace of Mind



## BE PREPARED FOR THE UNEXPECTED!








# Retirement May Be Long





# Retirement May Be Long

## Probability of 65 Year Old Living to Age 95

				
	Male	Female	Both	$\geq 1$
Average American	7%	13%	1%	19%
Healthy American	20%	29%	6%	43%
Healthy American in ~10 Years	25%	33%	8%	50%

Source: Social Administration 2013 Periodic Life Table, Society of Actuaries 2012 Annuity Mortality Table

At least one member of a 65-year-old healthy couple has a 43% chance of making it to at least 95 years old (retirement of 30 years).



# The Effect of Inflation



1968      1978      2006

Figure 1 shows three postage stamps: 1968, 1978, and 2006—6 cents, 13 cents, and 39 cents. Each stamp has the same value. Each stamp is first-class postage in the United States. Each stamp has a different price and a different date. What changed between 1968 and 2006 wasn't the value of the stamp, it was the value of the dollar.

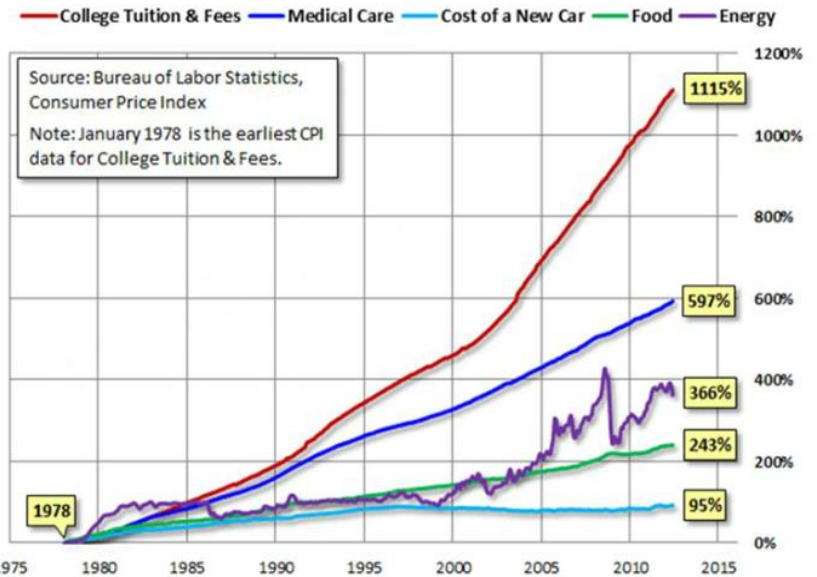
## College Costs

	Public	Private
■ Today	\$76,979	\$170,328
■ 5 years	\$93,568	\$207,034
■ 10 years	\$119,419	\$264,234
■ 15 years	\$152,413	\$337,237
■ 18 years	\$176,437	\$390,394

Source: The CollegeBoard – Trends in College Pricing 2012

Based on a projected 5% college cost inflation rate. Total due for 4 years of college calculated and the four years added together.

## Inflation Comparison: Percent Growth



## Inflation checklist

	Single-family home	A loaf of bread <sup>1</sup>	College education <sup>2</sup>	Gallon of unleaded gas
	+68%	+97%	+214%	+193%
1991	\$ 97,100	\$ 0.72	\$ 5,452	\$ 1.12
2001	147,800	1.01	9,032	1.13
2011	163,500	1.42	17,131	3.28

Sources: National Association of Realtors, U.S. Bureau of Labor Statistics, The College Board, Annual Survey of Colleges

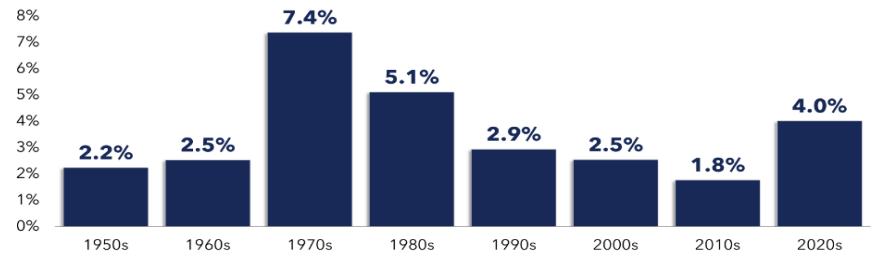
<sup>1</sup> A loaf equals one pound.

<sup>2</sup> Average cost of four years at a public university

<http://globaleconomicanalysis.blogspot.com/2012/08/trading-caps-and-gowns-for-mops-why-go.html>

From "Trading Caps and Gowns for Mops; Why Go to College If There Are No Jobs? Chasing the American Dream", August 24, 2012.

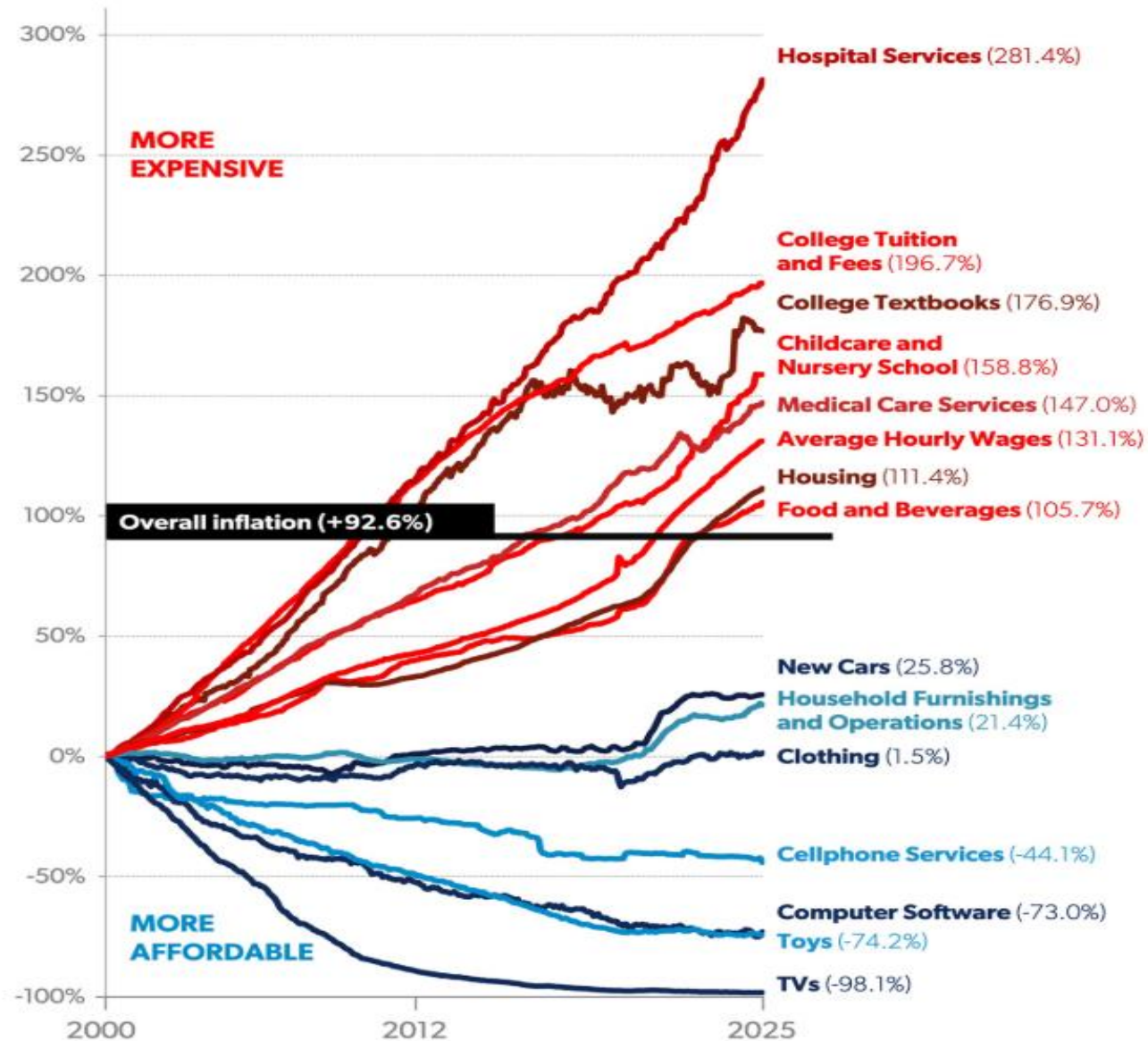
## U.S. Annual Inflation Rate by Decade





# Price changes (Jan. 2000–Dec. 2025)

Selected US Consumer Goods and Services, and Wages

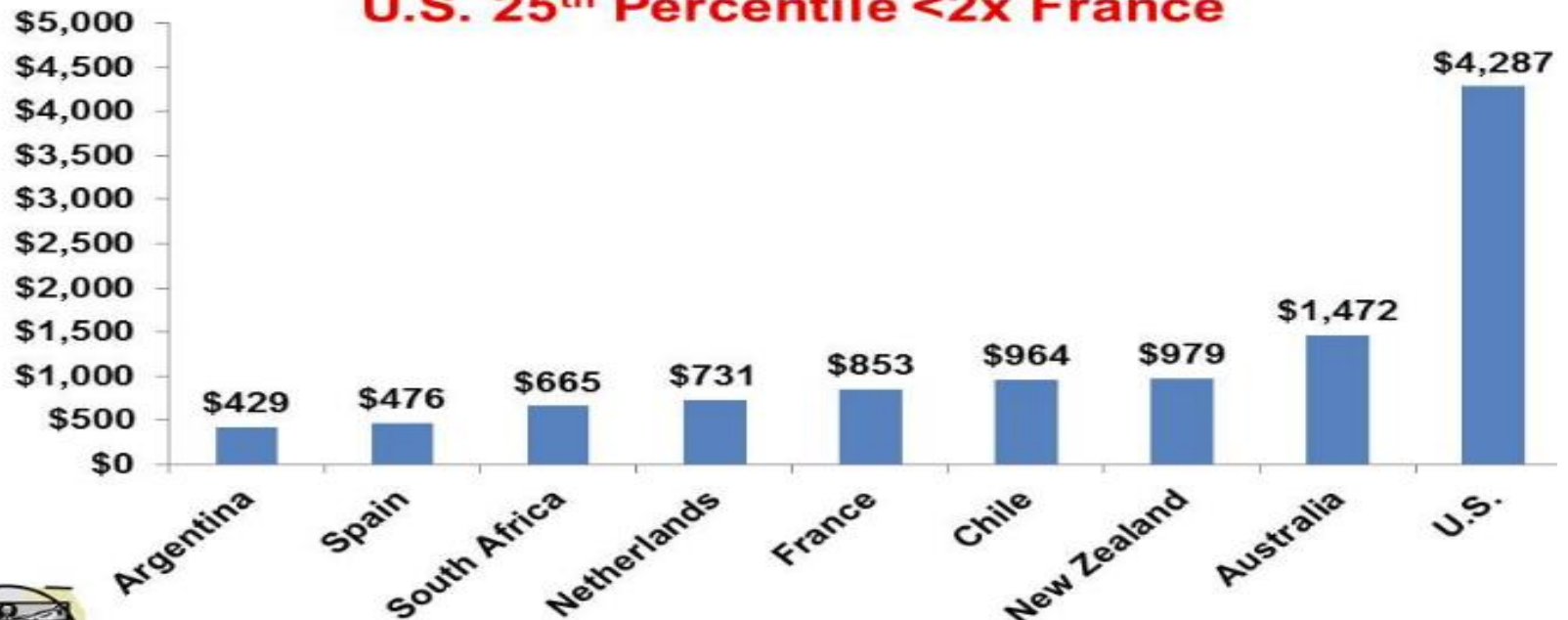




# The Effect of Inflation

## 2012 Cost Per Hospital Day U.S. Average Compared with Other Nations

**Average U.S. Price = 5x France,  
U.S. 25<sup>th</sup> Percentile <2x France**



THINK-Health

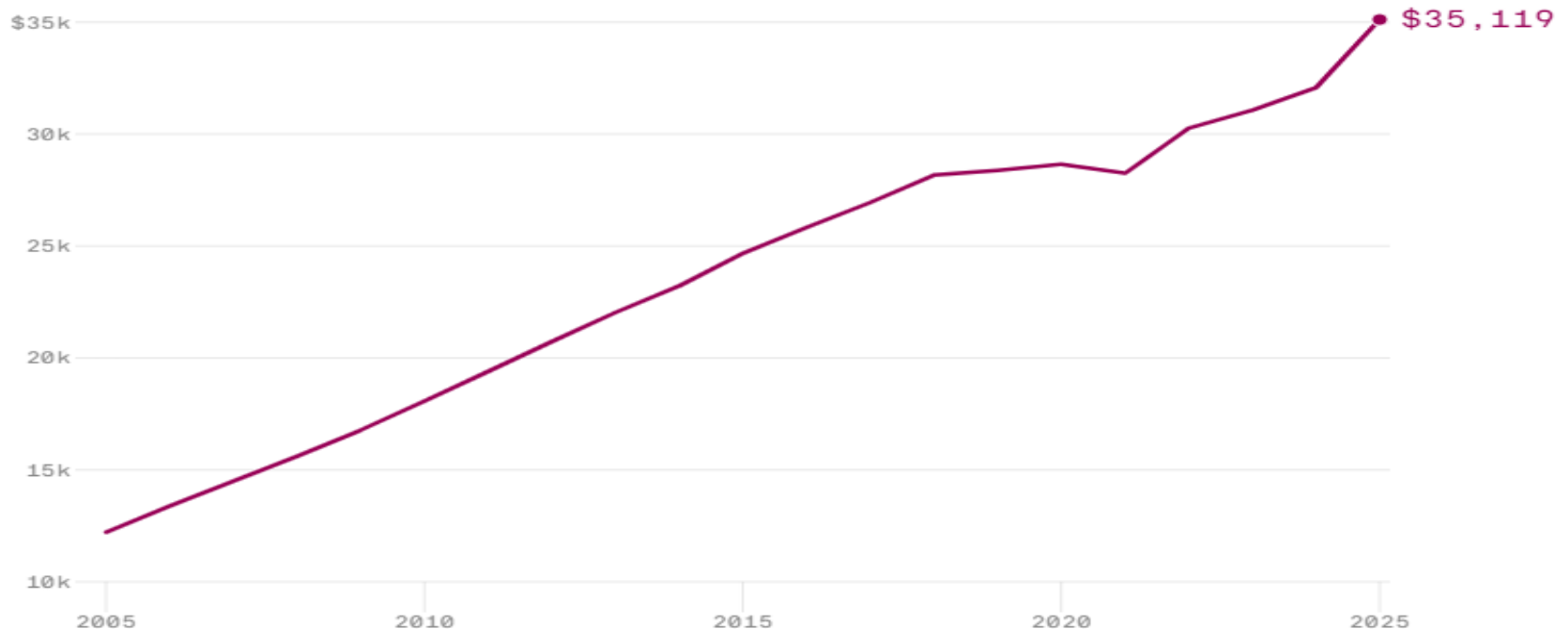
Source: International Federation of Health Plans, 2012 Comparative Price Report, April 2013



# The Overall Cost of Healthcare for a Retired Couple is Over \$350,000

Total cost of health care for an American family with typical employer-sponsored coverage

Annually; 2005–2025.

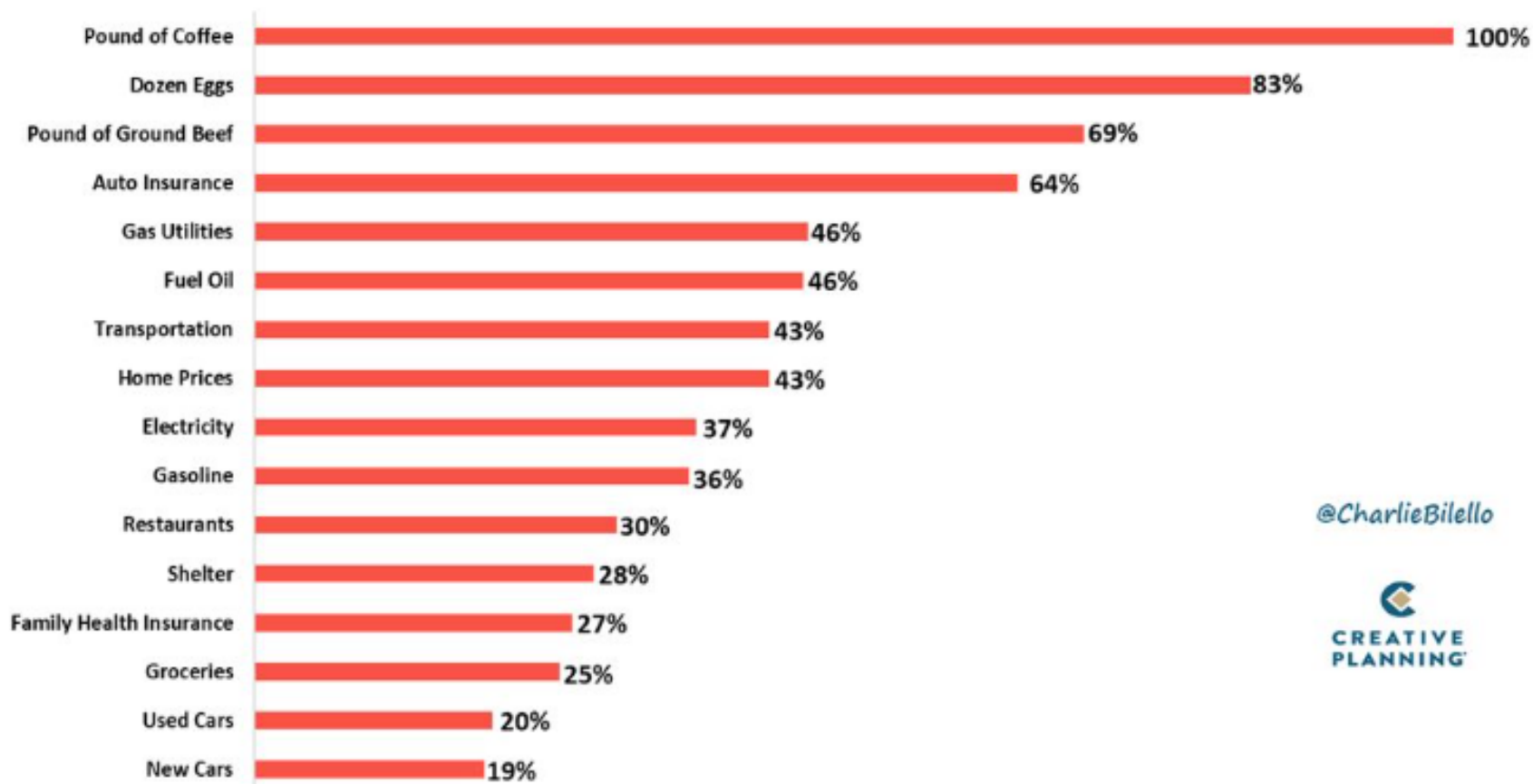


Data: Milliman Medical Index; Note: Includes employer contribution, employee contribution and employee out-of-pocket costs; Chart: Axios Visuals



# The Effect of Inflation

**Cumulative Price Increases in the US over the Last 5 Years**  
(Data via YCharts as of December 31, 2025)

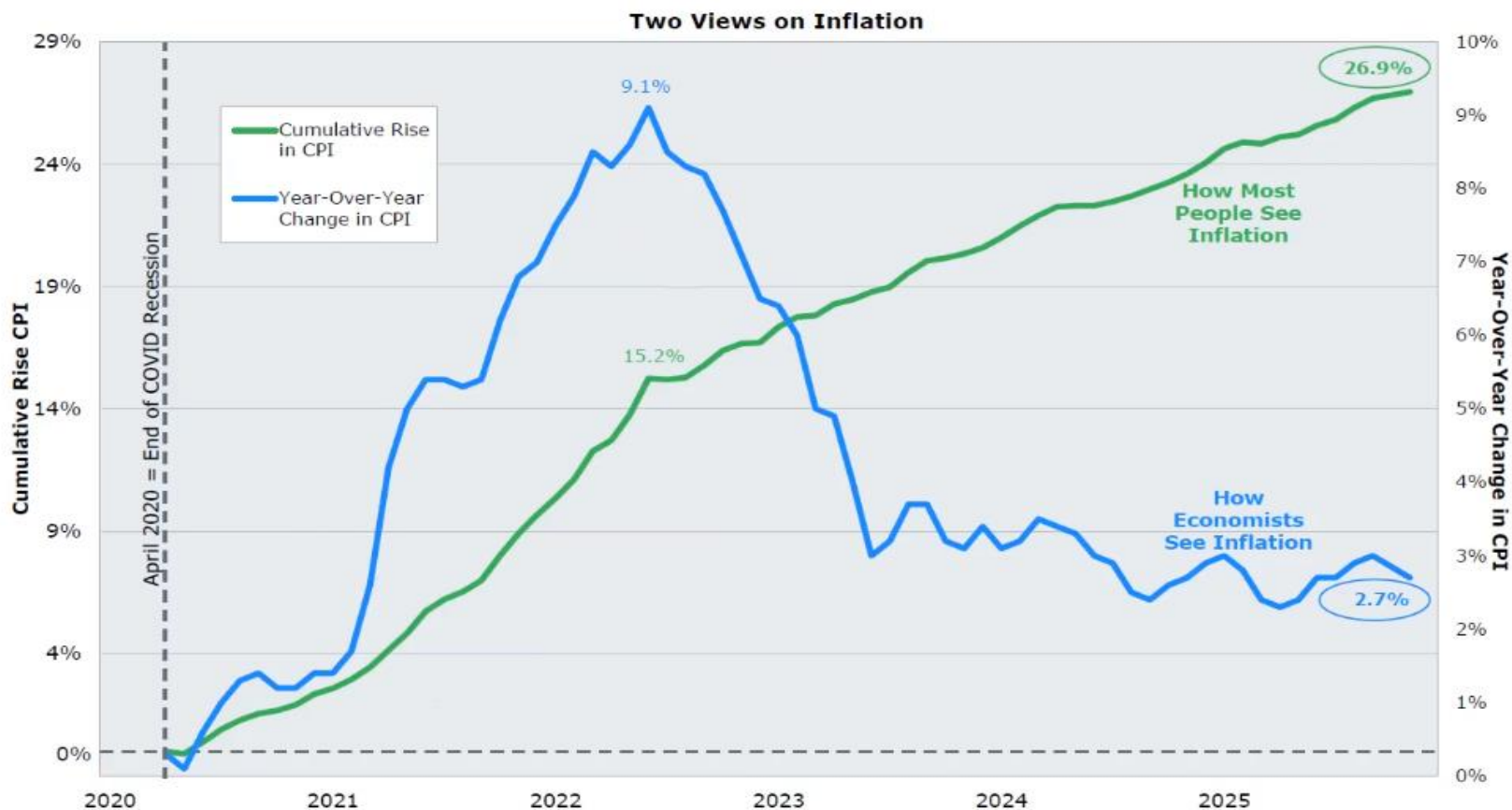


@CharlieBilello





# The Effect of Inflation



Source: Bureau of Labor Statistics, Bloomberg, Bianco Research  
Data as of: 11/30/25

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# Capital Needed to Retire

- Annual Spending: \$100,000
- Divided by
- Sustainable Spending Rate @ 60: 3.2%

**Capital Required to Retire @ 60: \$3,125,000**

Age	50	55	60	65	70	75	80	80
Spending Rate	2.8%	3.0%	3.2%	3.5%	3.9%	4.4%	4.4%	5.0%

\$41,200 is equivalent to \$100,000 in 30 years (assuming 3% inflation)

Source: Ibbotson and Bernstein



# Chat GPT Prompt

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“I am 55 years old and I have \$1M in retirement assets.

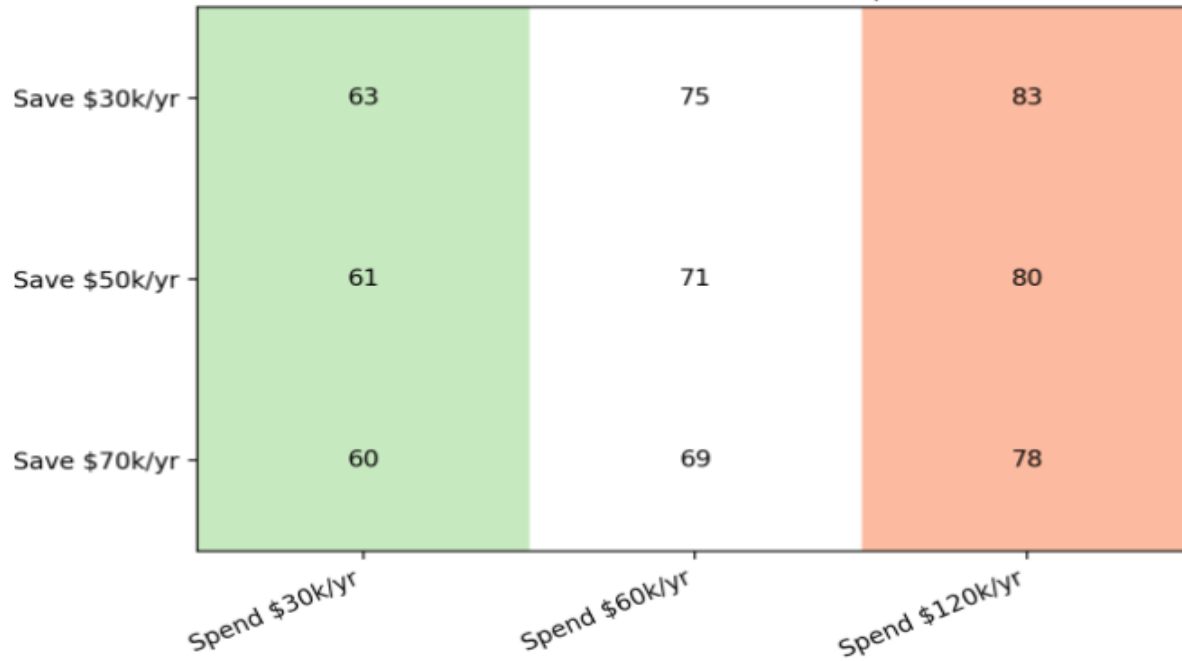
What if I save \$30,000, \$50,000 or \$70,000 per year, and want \$30,000, \$60,000 or \$120,000 per year, inflation adjusted retirement income in today's dollar for the rest of my life assuming I may live until 95 years old, at what age can I retire?

Run 10,000 monte carlo simulations and give me the results with 50% confidence and 80% confidence. Portfolio return would be 4%, 5% and 6%, inflation 3%, standard deviation of annual returns is 10%. Present the results in heatmaps”

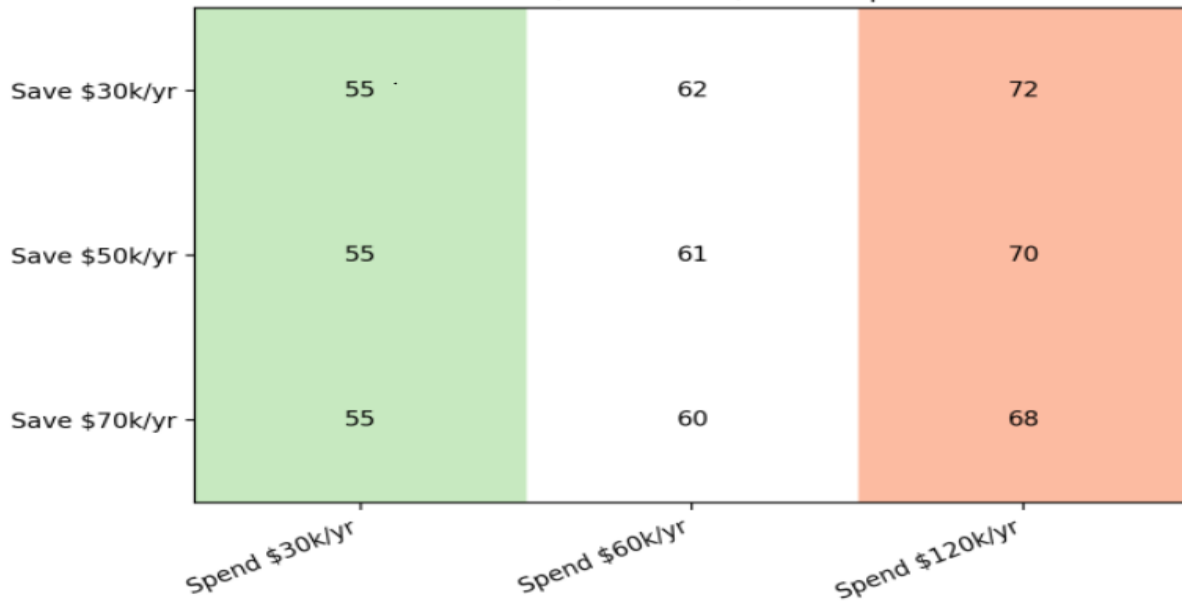
\*: ChapGPT can make mistakes. Numbers are approximate to give a big picture idea. The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. All figures are not a guarantee of future results. The views expressed in this presentation are not intended to be a forecast of future events, a guarantee of future results or investment advice. Forecasts and predictions are inherently limited and should not be construed as a solicitation or recommendation or be used as the sole basis for any investment decision. Examples provided are for illustrative purposes only and not intended to be reflective of results you should expect to attain. The projections or other information generated by this analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time. These hypothetical returns are used for discussion purposes only and are not intended to represent, and should not be construed to represent, predictions of future rates of return. Actual returns may vary significantly. Past performance is no guarantee of future results.



Earliest retirement age (10k sims)  
Return mean 4%, stdev 10%, infl 3% | 80% success



Earliest retirement age (10k sims)  
Return mean 6%, stdev 10%, infl 3% | 50% success





# Chat GPT Prompt

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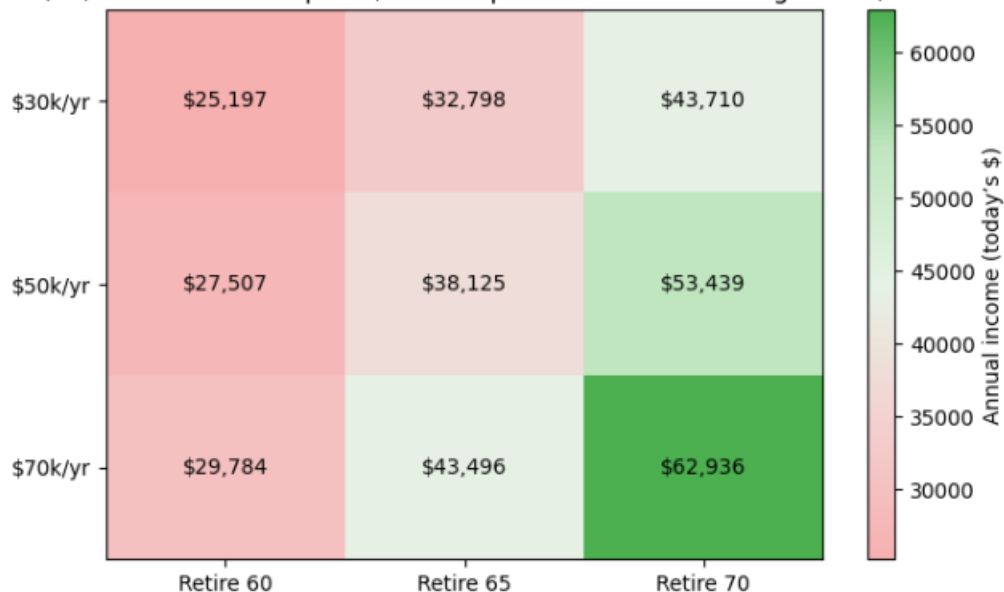
“I am 55 years old and I have \$1M in retirement assets.

What if I save \$30,000, \$50,000 or \$70,000 per year and retire at 60, 65 or 70 years old, how much could be my inflation adjusted retirement income in today's dollar for the rest of my life assuming I may live until 95 years old?

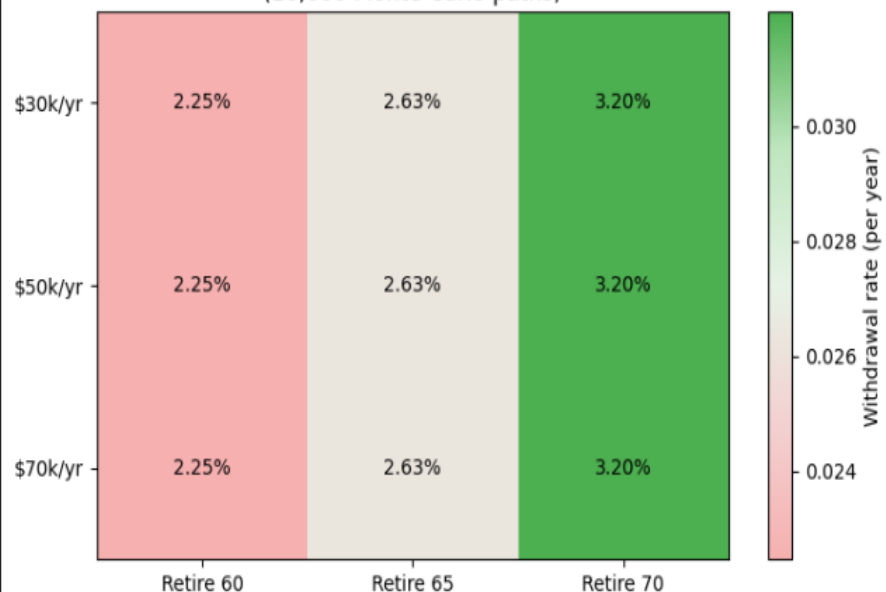
Run 10,000 monte carlo simulations and give me the results with 50% confidence and 80% confidence.

Portfolio return would be 4%, 5% and 6%, inflation 3%, standard deviation of annual returns is 10%. Present the results in heatmaps”

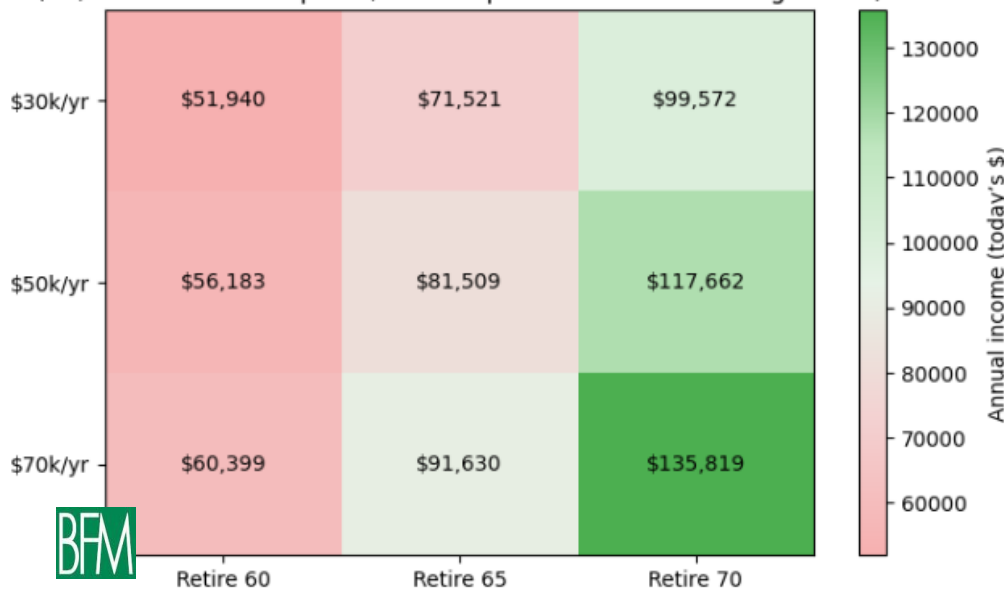
**Inflation-adjusted annual retirement income (today's \$)**  
 Mean nominal return 4%, inflation 3%, stdev 10% — 80% confidence  
 (10,000 Monte Carlo paths; income paid from retirement age to 95)



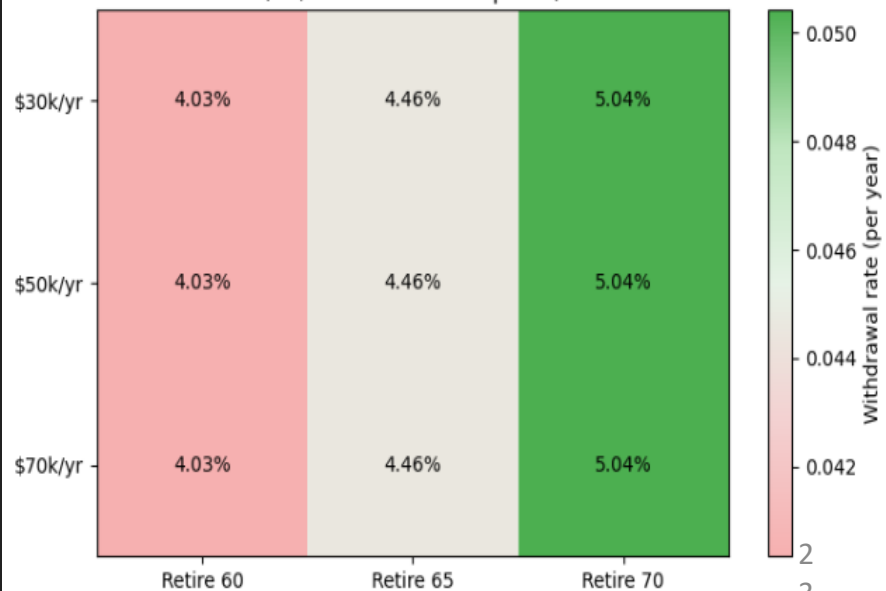
**Sustainable withdrawal rate at retirement (real, constant to age 95)**  
 Mean nominal return 4%, inflation 3%, stdev 10% — 80% confidence  
 (10,000 Monte Carlo paths)



**Inflation-adjusted annual retirement income (today's \$)**  
 Mean nominal return 6%, inflation 3%, stdev 10% — 50% confidence  
 (10,000 Monte Carlo paths; income paid from retirement age to 95)



**Sustainable withdrawal rate at retirement (real, constant to age 95)**  
 Mean nominal return 6%, inflation 3%, stdev 10% — 50% confidence  
 (10,000 Monte Carlo paths)





# Mutual Funds Generate Taxes

## PIMCO Long-Term U.S. Government Fund Institutional

★★★★★

FF Fund Family Data Add to Portfolio Get E-mail Alerts Print This Page Data Definition ? Data Q

Quote Chart Fund Analysis Performance Ratings & Risk Management Stewardship Portfolio

Compare

### Tax Analysis

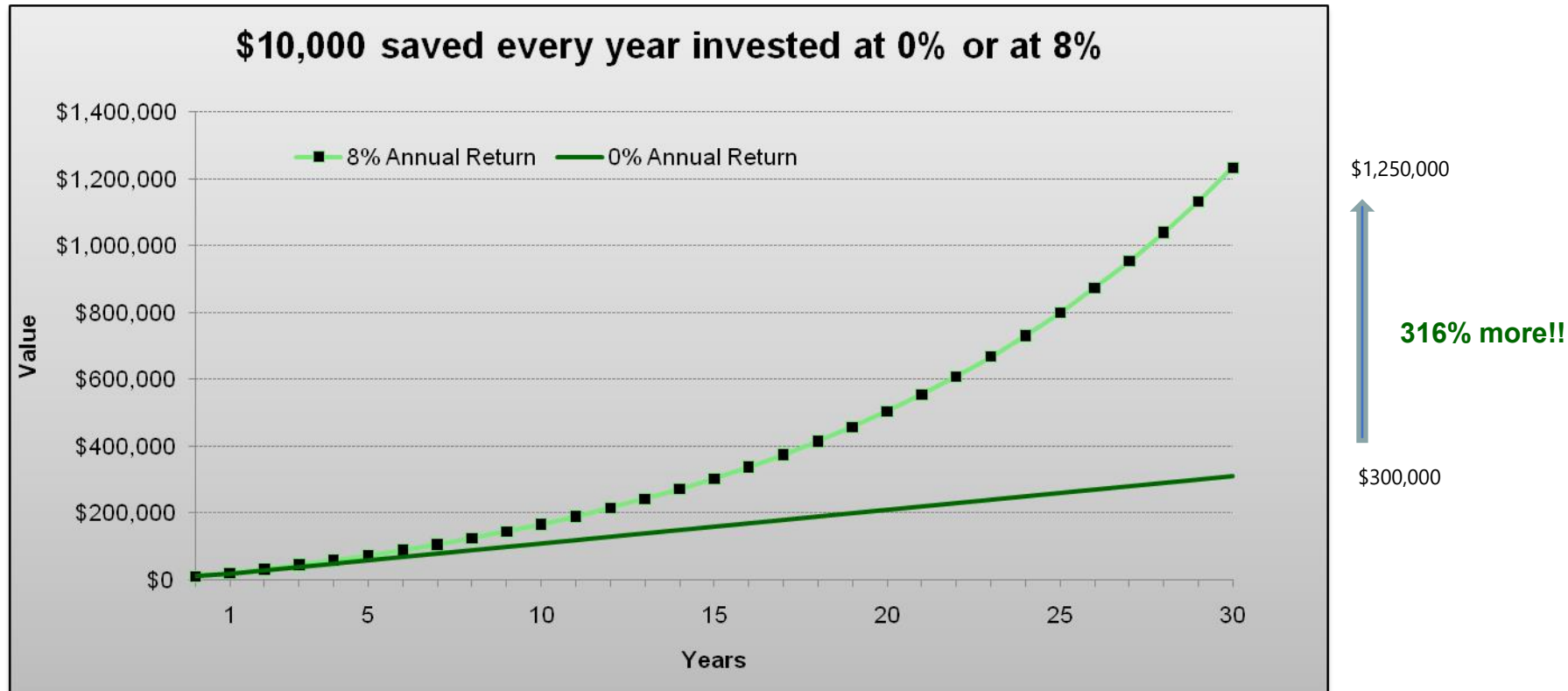
	1-Mo	3-Mo	6-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	Since Inception
<b>Pretax Return</b>										
PGOVX	0.54	0.53	7.38	8.15	7.38	6.34	8.05	8.47	7.91	9.06
<b>Tax-adjusted Return *</b>										
PGOVX	0.44	0.23	-13.30	7.64	-13.85	-2.20	1.13	3.71	3.99	5.19
<b>% Rank in Category</b>	48	10	80	39	80	77	73	58	64	—
<b>Tax Cost Ratio</b>										
PGOVX	—	—	—	—	19.77	8.03	6.40	4.39	3.63	—
<b>Potential Cap Gains Exposure</b>										
PGOVX	-14.61									

(05/31/2016)

Currency is displayed in USD.

\* Post tax returns are load adjusted.

# Higher Return Leads to Higher Gains

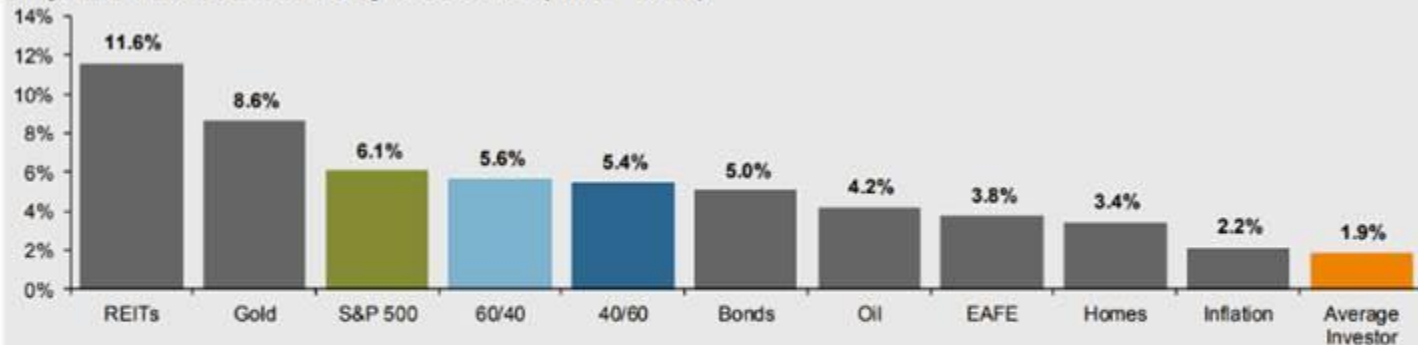


If you do not invest, inflation guarantees an annual loss



# The Average Investor Underperformed

20-year annualized returns by asset class (1999 – 2019)



Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; (Bottom) Dalbar Inc. Indices used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/roy oz., Inflation: CPI, 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/19 except the average investor which is through 12/31/18 and is based on Dalbar's most recent analysis. *Guide to the Markets – U.S.* Data are as of March 31, 2020.

J.P.Morgan  
Asset Management

The average investor performance over the last 20 years was 1.9% per year (45% cumulative so \$100,000 became \$145,708) while a balanced portfolio composed of 60% in stocks and 40% in bonds had a performance of 5.6% per year (227% cumulative so \$100,000 became \$297,357) which is \$151,649 more!



BEHAVIOR GAP

# Your Retirement Assets Could Last 12 More Years

## Results Matter: Even a Small Increase in Returns Can Dramatically Improve Outcomes

### Demographic Assumptions

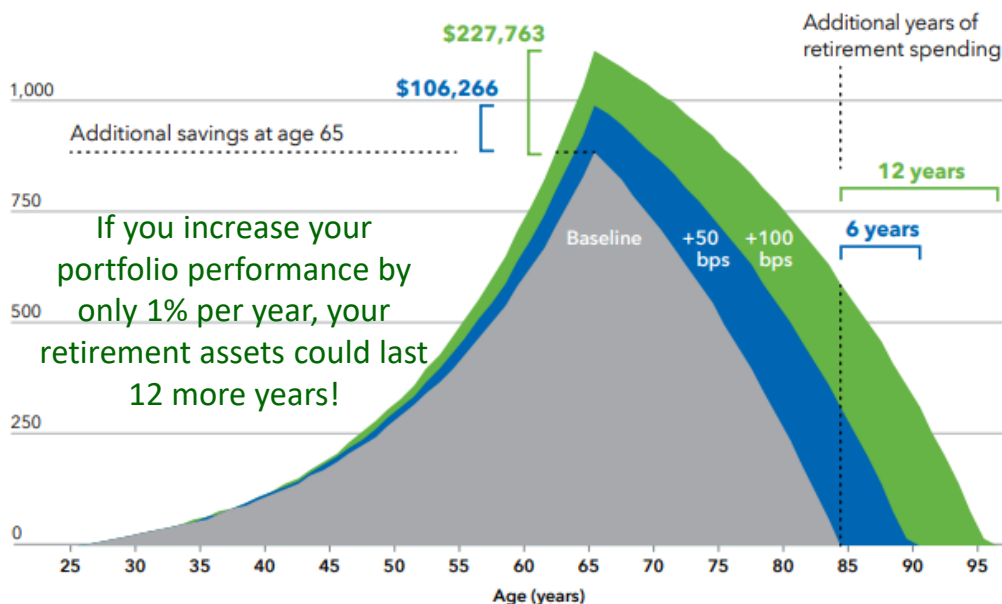
Starting Balance	\$0
Starting Age	25
Starting Salary	\$40,000
Annual Salary Growth Rate	3%
Annual Contribution Rate	10%
Retirement Age	65
Ending Salary at 65	\$130,482

### Scenario Assumptions

	Market Baseline	+50 bps	+100 bps
Returns Before 65	5.5%	6.0%	6.5%
Returns After 65	4.0%	4.5%	5.0%
Account Balance at 65	\$886,415	\$992,680	\$1,114,177
Withdrawal (Percent of Ending Salary)	50%	50%	50%
Annual Withdrawal Amount	\$65,241	\$65,241	\$65,241

### Impact of 50 bps and 100 bps of Excess Return in a Hypothetical Savings and Withdrawal Scenario

USD, thousands  
1,250



If you increase your portfolio performance by only 1% per year, your retirement assets could last 12 more years!

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

Source: Capital Group. The demographic assumptions, returns and ending balances are hypothetical and provided for illustrative purposes only, and are not intended to provide any assurance or promise of actual returns and outcomes. Returns will be affected by the management of the investments and any adjustments to the assumed contribution rates, salary or other participant demographic information. Actual results may be higher or lower than those shown. Past results are not predictive of results in future periods. Based on an exhibit from Russell Investments. The additional years of retirement spending are intended to represent a conservative measure.

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# COST. OF PROCRASTINATION

## START TODAY!

I should have started earlier...

MUST INVEST SOMEDAY!

MISSED OPPORTUNITY

TOO LATE

Glad I started young!

GROWING WEALTH

SMALL NEST EGG

LARGE NEST EGG

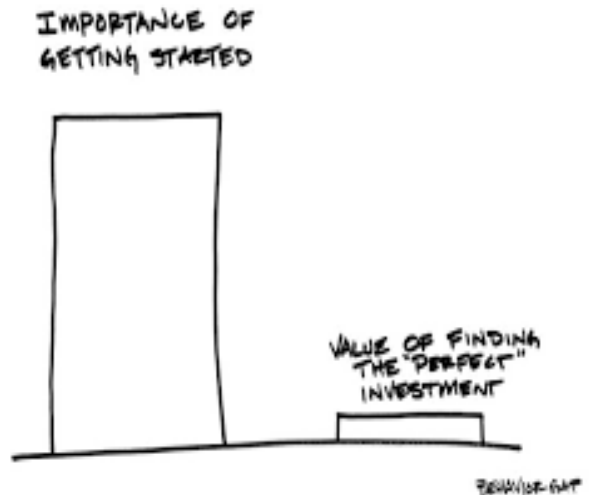
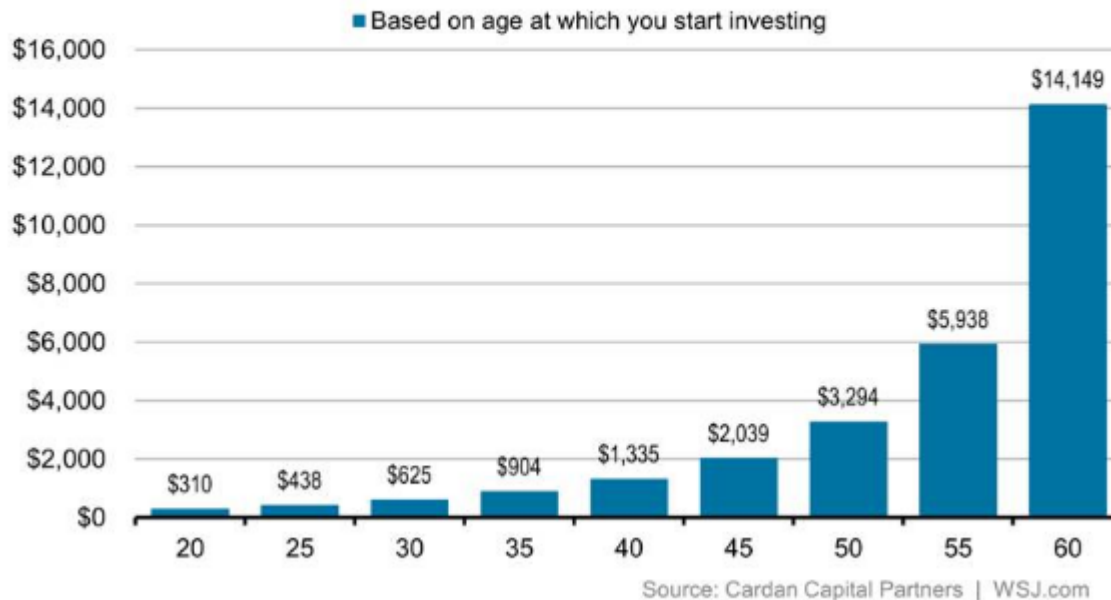
THE SOONER YOU START INVESTING, THE BETTER!



# Cost of Procrastination - Start Today!

## Monthly Savings Needed to Achieve \$1M at Retirement

Hypothetical assumes 6.5% annual return and doesn't account for fees or taxes.





# Do Not Wait - Start Today!



\$10,000 invested every year starting today, for 10 years (\$100,000 invested) at 8% annual return will create 47 % more value, or \$235,000 more than investing twice more (\$200,000 invested) starting 10 years from now for 20 years!



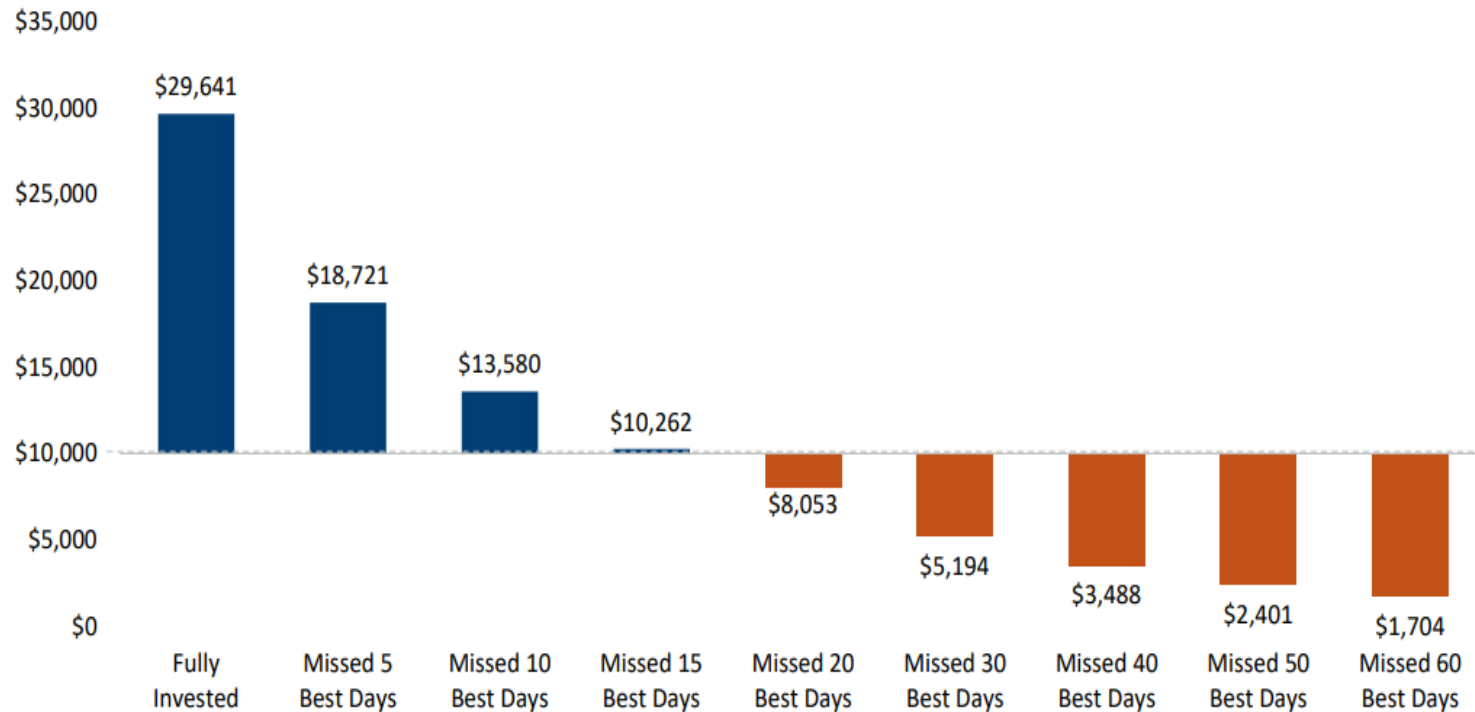




# Do Not Time the Market

## Staying invested is the best long-term strategy

Growth of \$10,000, S&P 500 Index, 20 years ending 4/30/2020



Source: Morningstar. Performance data quoted represents past performance, which is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.

The BFM newsletter about market timing is at <https://tinyurl.com/BFM-Market-Timing-2026>



# Market Timing Does Not Work

## Missing the Best Days Can Drastically Reduce Returns

Decade	Cumulative		Annualized	
	Price Return	Excluding 10 Best Days Per Decade	Price Return	Excluding 10 Best Days Per Decade
1930	-42%	-79%	-5%	-15%
1940	35%	-14%	3%	-2%
1950	257%	167%	14%	11%
1960	54%	14%	4%	1%
1970	17%	-20%	2%	-2%
1980	227%	108%	13%	8%
1990	316%	186%	15%	12%
2000	-24%	-62%	-3%	-10%
2010	190%	95%	11%	7%
Average Since 1930	114%	44%	6%	1%

- ▶ Investors that missed the 10 best days in a given decade would have seen 70% lower returns over the course of that decade on average.
- ▶ 28% of the best days (5% or more) took place in the first two months of a bull market.



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# Asset Allocation and Diversification

## DIVERSIFY YOUR PORTFOLIO!



Remember,  
**Portfolio Diversification**  
is Key to Success!





# Diversification is Key

Best  
Performer



Worst  
Performer

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1994-2008 Return
Int'l 7.80%	S&P 500 37.60%	S&P 500 23.00%	Mid Value 34.40%	S&P 500 28.60%	Mid Growth 51.30%	Mid Value 19.20%	U.S. Bonds 8.40%	U.S. Bonds 10.30%	Mid Growth 42.70%	Mid Value 23.70%	Int'l 13.50%	Int'l 26.90%	Int'l 11.60%	U.S. Bonds 5.20%	Mid Value 8.65%
S&P 500 1.30%	Mid Value 34.90%	Mid Value 20.30%	S&P 500 33.40%	Int'l 20.00%	Int'l 27.00%	U.S. Bonds 11.60%	Mid Value 2.30%	Mid Value -9.70%	Int'l 38.60%	Int'l 20.30%	Mid Value 12.70%	Mid Value 20.20%	Mid Growth 11.40%	B-FM -31.58%	B-FM 6.73%
B-FM 0.38%	Mid Growth 34.00%	Mid Growth 17.50%	Mid Growth 22.50%	Mid Growth 17.90%	S&P 500 21.00%	B-FM -0.86%	B-FM -8.56%	B-FM -12.96%	Mid Value 38.10%	Mid Growth 15.50%	Mid Growth 12.10%	S&P 500 15.80%	U.S. Bonds 7.00%	S&P 500 -37.00%	S&P 500 6.46%
Mid Value -2.10%	B-FM 27.24%	B-FM 14.08%	B-FM 20.36%	B-FM 16.06%	B-FM 19.68%	S&P 500 -9.10%	S&P 500 -11.90%	Int'l -15.90%	B-FM 30.44%	B-FM 14.94%	B-FM 9.12%	B-FM 15.58%	B-FM 6.82%	Mid Value -38.40%	U.S. Bonds 6.17%
Mid Growth -2.20%	U.S. Bonds 18.50%	Int'l 6.00%	U.S. Bonds 9.70%	U.S. Bonds 8.70%	Mid Value -0.10%	Mid Growth -11.80%	Mid Growth -20.20%	S&P 500 -22.10%	S&P 500 28.70%	S&P 500 10.90%	S&P 500 4.90%	Mid Growth 10.70%	S&P 500 5.50%	Int'l -43.40%	Mid Growth 5.34%
U.S. Bonds -2.90%	Int'l 11.20%	U.S. Bonds 3.60%	Int'l 1.80%	Mid Value 5.10%	U.S. Bonds -0.80%	Int'l -14.20%	Int'l -21.40%	Mid Growth -27.40%	U.S. Bonds 4.10%	U.S. Bonds 4.30%	U.S. Bonds 2.40%	U.S. Bonds 4.30%	Mid Value -1.40%	Mid Growth -44.30%	Int'l 3.58%

BFM is a hypothetical equal weighted portfolio of the 5 other asset classes



# Diversification is Key

Over the last 30 years, equities, gold and REITs are winners, but the 60/40 has delivered steady returns in most time periods

Exhibit 3: Relative performance of selected assets over discrete five-year periods from 1995–2025

'95–'00	'00–'05	'05–'10	'10–'15	'15–'20	'20–'25	Full period
MSCI Europe 23.3%	U.S. REITs 19.9%	Gold 22.5%	TOPIX 13.6%	S&P 500 14.1%	TOPIX 16.8%	S&P 500 10.5%
S&P 500 21.7%	MSCI EM 14.5%	MSCI EM 13.1%	S&P 500 13.3%	Gold 11.3%	S&P 500 16.5%	U.S. REITs 9.4%
Russell 2000 12.4%	Gold 11.5%	U.S. HY 8.4%	U.S. REITs 11.9%	MSCI EM 9.4%	Gold 15.1%	Russell 2000 8.6%
HFRI FOF 11.6%	U.S. IG 7.7%	U.S. 10y 7.1%	Russell 2000 11.7%	U.S. 60/40 8.3%	MSCI Europe 12.3%	Gold 8.0%
U.S. 60/40 11.3%	U.S. HY 7.5%	U.S. IG 6.5%	MSCI Europe 7.5%	Russell 2000 8.0%	Russell 2000 11.6%	MSCI Europe 7.8%
U.S. REITs 10.6%	U.S. 10y 6.5%	U.S. 60/40 4.6%	U.S. HY 6.1%	U.S. HY 6.8%	U.S. REITs 9.3%	U.S. 60/40 7.1%
U.S. IG 6.1%	Russell 2000 6.4%	HFRI FOF 2.1%	U.S. 60/40 5.9%	U.S. IG 6.0%	U.S. 60/40 8.4%	U.S. HY 6.7%
USD 6.1%	HFRI FOF 5.2%	U.S. REITs 1.8%	U.S. IG 4.3%	TOPIX 5.2%	MSCI EM 7.5%	MSCI EM 6.4%
U.S. HY 6.1%	U.S. 60/40 4.3%	Russell 2000 1.6%	USD 4.1%	MSCI Europe 5.2%	HFRI FOF 5.8%	U.S. IG 5.1%
U.S. 10y 5.5%	TOPIX 0.2%	MSCI Europe 1.5%	U.S. 10y 4.0%	U.S. 10y 4.9%	U.S. HY 5.5%	HFRI FOF 5.0%
TOPIX 1.3%	MSCI Europe -1.1%	S&P 500 0.6%	HFRI FOF 2.7%	U.S. REITs 3.8%	USD 0.8%	TOPIX 4.4%
MSCI EM -1.7%	S&P 500 -1.5%	USD -2.5%	Gold -3.1%	HFRI FOF 3.1%	U.S. IG 0.3%	U.S. 10y 4.1%
Gold -6.6%	USD -4.6%	TOPIX -8.6%	MSCI EM -3.2%	USD -0.5%	U.S. 10y -2.8%	USD 0.5%

Source: Bloomberg, Datastream, Haver, J.P. Morgan Asset Management; data as of September 2025. IG: investment grade; HY: high yield. HFRI FOF is the HFRI hedge fund of funds composite total return index.



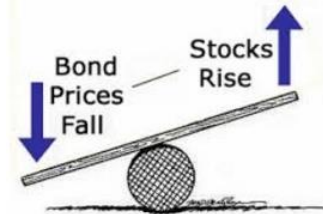
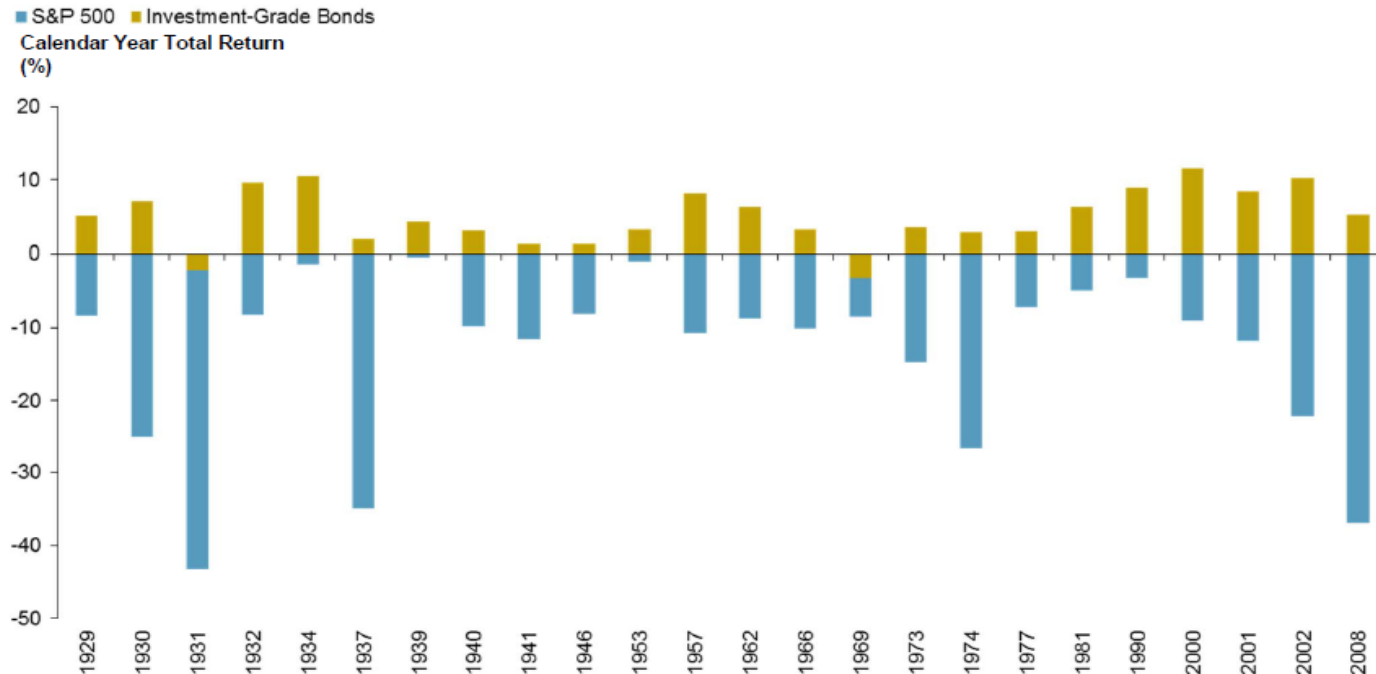
# 74% More by Diversifying the Portfolio!

	Investment	Annual return	After 30 years
Portfolio A	\$100,000	6%	\$574,349
Portfolio B	\$20,000	0%	\$20,000
	\$20,000	4%	\$64,868
	\$20,000	6%	\$114,870
	\$20,000	8%	\$201,253
	\$20,000	12%	\$599,198
Portfolio B Total		Average 6%	\$1,000,189



# Diversification is Key (When Stocks are Down, Usually Bonds are Up!)

**Bond Returns in Years Stocks Were Down, 1926-2012**



Bond returns are represented by the performance of the Barclays Aggregate Bond Index from January 1976 through December 2013 and by a composite of the IA SBBI Intermediate-Term Government Bond Index (67%) and the IA SBBI Long-Term Corporate Bond Index (33%) from January 1926 through December 1975. Stock returns are represented by the performance of the S&P 500 Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index performance is not meant to represent that of any Fidelity mutual fund. Diversification does not ensure a profit or guarantee against a loss. Source: Morningstar EnCorr, Fidelity Investments (AART) as of 12/31/13.



# Diversification is Key

## Old Portfolio

	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		<u>3-Year Performance</u>
	Weight	Return	Weight	Return	Weight	Return	
Fund A	60%	6.0%	60%	-10.0%	60%	5.0%	0.2%
Fund B	40%	4.0%	40%	-5.0%	40%	5.0%	3.7%
<b>Annual Performance</b>		<b>5.2%</b>		<b>-8.0%</b>		<b>5.0%</b>	<b>1.6%</b>
<b>Growth of \$100</b>		<b>\$ 105</b>		<b>\$ 97</b>		<b>\$ 102</b>	

## New Portfolio

	<u>Weight</u> <u>Return</u>		<u>Weight</u> <u>Return</u>		<u>Weight</u> <u>Return</u>		
Fund A	50%	6.0%	50%	-10.0%	50%	5.0%	0.2%
Fund B	40%	4.0%	40%	-5.0%	40%	5.0%	3.7%
<b>Fund C</b>	<b>10%</b>	<b>6.0%</b>	<b>10%</b>	<b>30.0%</b>	<b>10%</b>	<b>-30.0%</b>	<b>-3.5%</b>
<b>Annual Performance</b>		<b>5.2%</b>		<b>-4.0%</b>		<b>1.5%</b>	<b>2.5%</b>
<b>Growth of \$100</b>		<b>\$ 105</b>		<b>\$ 101</b>		<b>\$ 103</b>	

The power of diversification/correlation. Adding a fund C with negative performance (but non correlated) in a portfolio could increase the performance of the portfolio

# Pay Attention to Simulations of Insurance Products - \$50,000 Invested

					Non-Guaranteed		
<u>Year</u>	<u>Age End Year</u>	<u>Contract Premium</u>	<u>Guaranteed Cash Value End Year</u>	<u>Guaranteed Death Benefit End Year</u>	<u>Annual Dividend End Year</u>	<u>Cash Value of Additions End Year</u>	<u>Total Cash Value End Year</u>
1	44	5,000	1,583	124,813	173	173	1,756
2	45	5,000	4,353	124,813	298	478	4,831
3	46	5,000	8,510	124,813	435	928	9,438
4	47	5,000	12,836	124,813	575	1,534	14,370
5	48	5,000	17,340	124,813	722	2,307	19,647
6	49	5,000	22,029	124,813	764	3,147	25,177
7	50	5,000	26,912	124,813	809	4,061	30,973
8	51	5,000	31,993	124,813	861	5,057	37,050
9	52	5,000	37,278	124,813	917	6,142	43,420
10	53	5,000	42,775	124,813	980	7,326	50,101

Source: MassMutual (05/2020)



# ChatGPT Concerns about Permanent / Whole Life Insurance Products

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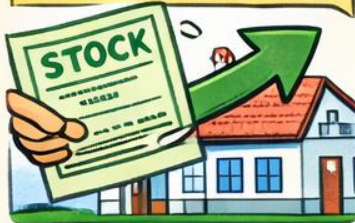
Why U.S. Whole Life Insurance is usually not well suited for French expatriates

- It is an inefficient and rigid solution for a cross-border lifestyle.
- If you leave the U.S., policy servicing, loans and beneficiary changes can become more complex and may require a U.S. address or additional compliance.
- As an investment, it offers lower expected returns, higher embedded costs and less flexibility, making it not competitive as a core investment solution.
- The policy is denominated in USD, creating USD/EUR currency risk if you retire or spend in euros.
- If you retire in France, U.S. permanent life insurance generally does not benefit from the favorable French assurance-vie estate tax exemptions.

An Introduction to  
**STOCK MARKET BASICS!**

## STOCK MARKET BASICS

### OWNERSHIP



### DIVIDENDS



GROWTH

**BUY!**



**SELL!**



### STOCK PRICES



**BULL MARKET**

### STOCK PRICES

Markets Go Up  
and Down





# Stocks Outperformed

	Stocks	Cash	Bonds	Housing	Gold	Inflation
1930s	-0.9%	1.0%	4.0%	-1.2%	5.3%	-2.0%
1940s	8.5%	0.5%	2.5%	8.1%	-0.8%	5.4%
1950s	19.5%	2.0%	0.8%	3.0%	1.0%	2.2%
1960s	7.7%	4.0%	2.4%	2.2%	1.6%	2.5%
1970s	5.9%	6.3%	5.4%	8.7%	28.6%	7.4%
1980s	17.3%	8.8%	12.0%	5.9%	-2.5%	5.1%
1990s	18.0%	4.8%	7.4%	2.7%	-3.1%	2.9%
2000s	-1.0%	2.7%	6.3%	4.0%	14.1%	2.5%
2010s	13.4%	0.6%	4.1%	3.8%	3.4%	1.8%
2020s	14.9%	2.8%	-0.6%	7.5%	19.1%	4.1%

Cash = 3-Month T-Bills

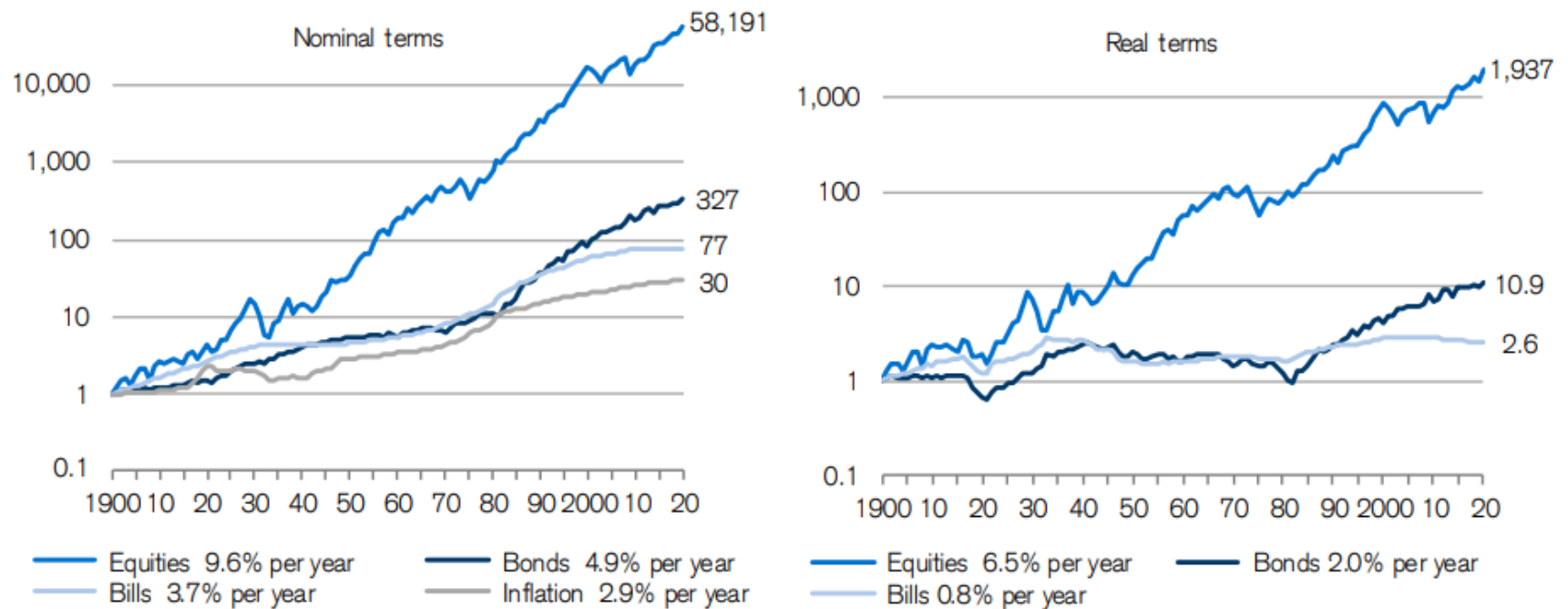
Bonds = 10 Year Treasuries

Inflation = Thru 11/30/2025

Source: Ritholtz

# Stocks Outperformed

Cumulative returns on US asset classes in nominal terms (left) and real terms (right), 1900–2019

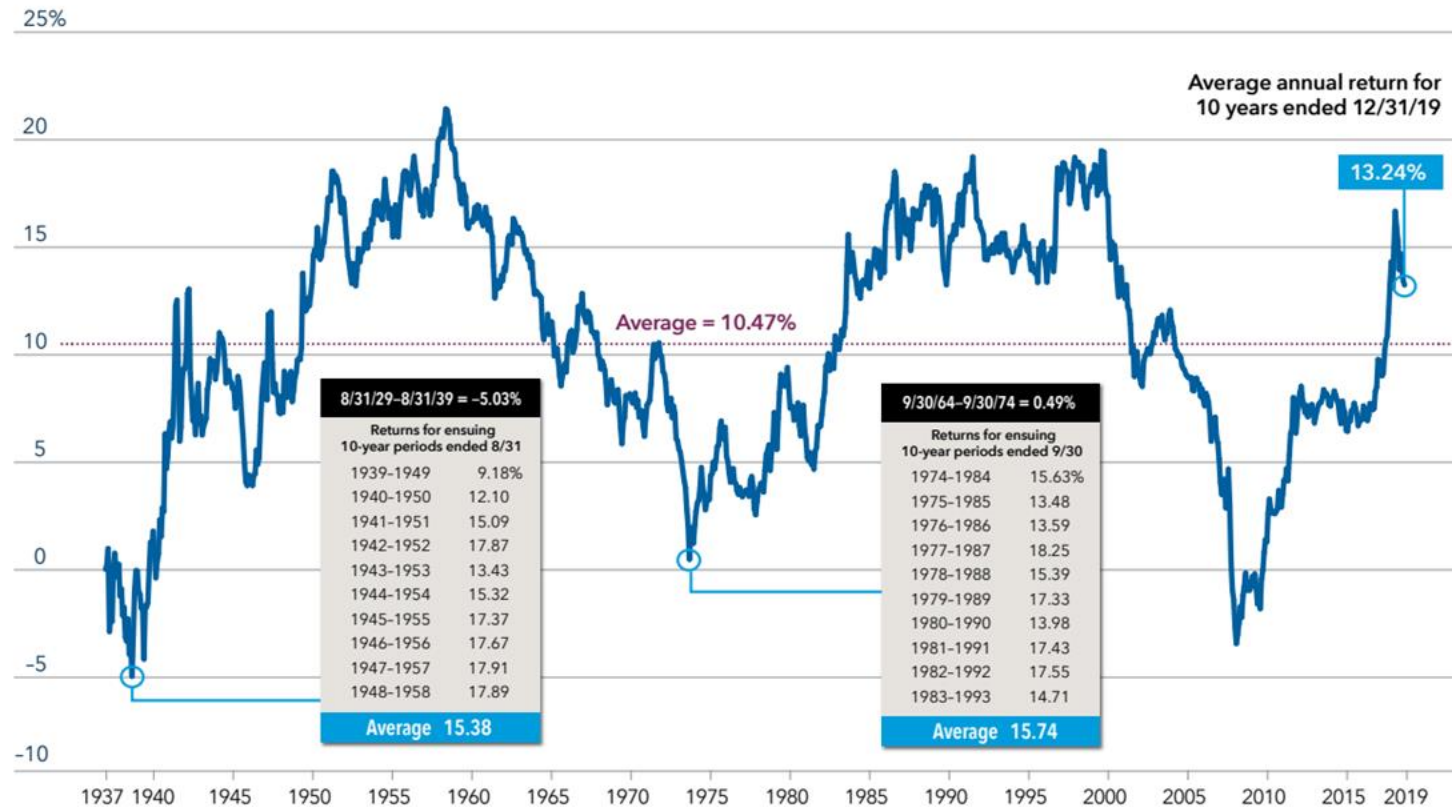


Sources: Elroy Dimson, Paul Marsh and Mike Staunton, *Triumph of the Optimists*, Princeton University Press, 2002, and *Global Investment Returns Yearbook*, Credit Suisse, 2020. Not



# Stocks Outperformed

S&P 500 rolling 10-year average annual total returns  
December 31, 1937-December 31, 2019



Sources: Capital Group, Morningstar, Standard & Poor's.

# Stocks are Necessary to Offset Inflation



The S&P 500 index returns have exceeded the inflation rate during every rolling 20-year period since 1926. Bonds trailed inflation in 16 of those 64 periods, while cash lagged behind inflation in 20 of the 64 periods (Ibbotson).

→ The best way to protect against down markets while maintaining a potential for real growth (adjusted for inflation) is to have a diversified portfolio that includes stocks, bonds and cash.

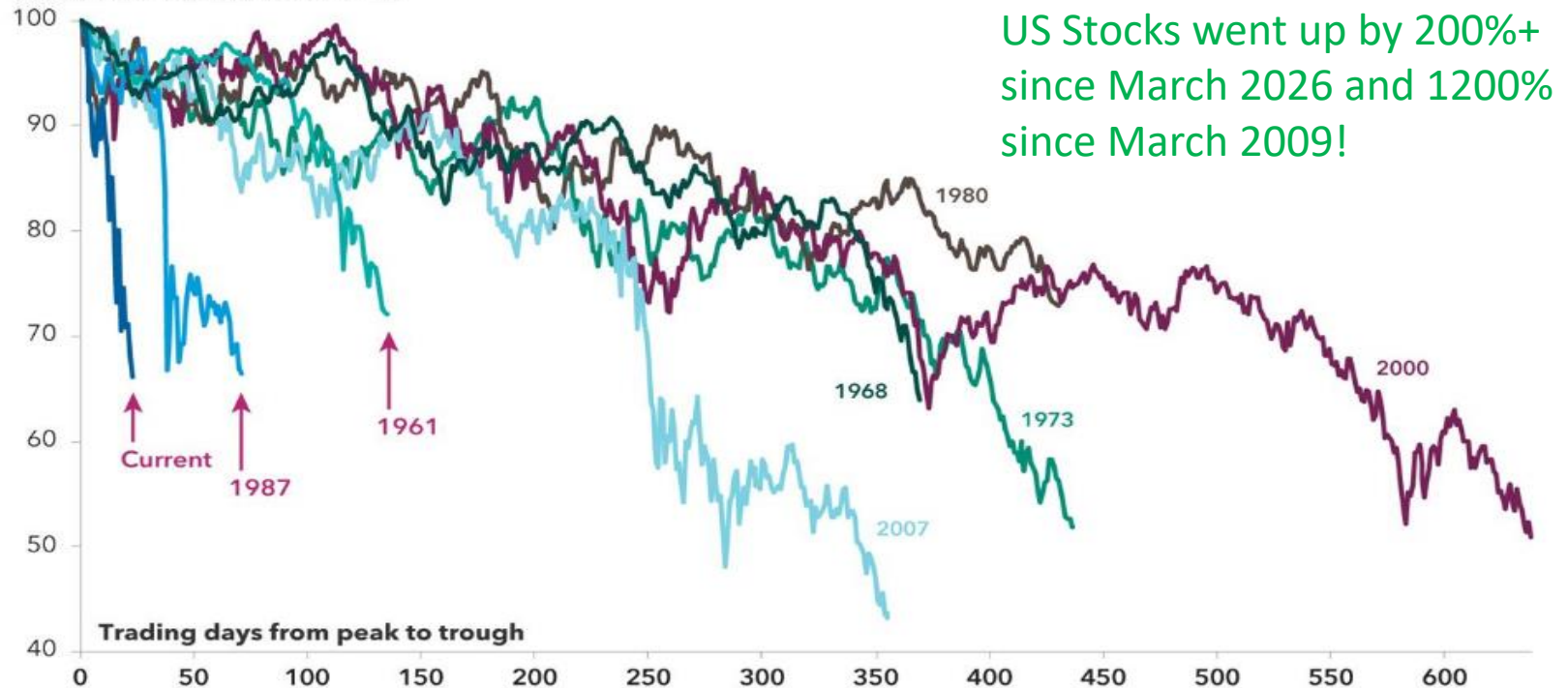


# Do Not Panic - Stocks Rebound

## Current bear market was the quickest ever fall from an all-time high

Magnitude and duration of major S&P 500 declines since 1950

Performance (Indexed to 100)



Source: Strategas. As of 3/23/20. Values are indexed to 100 on the date of the last market peak that preceded each bear market.



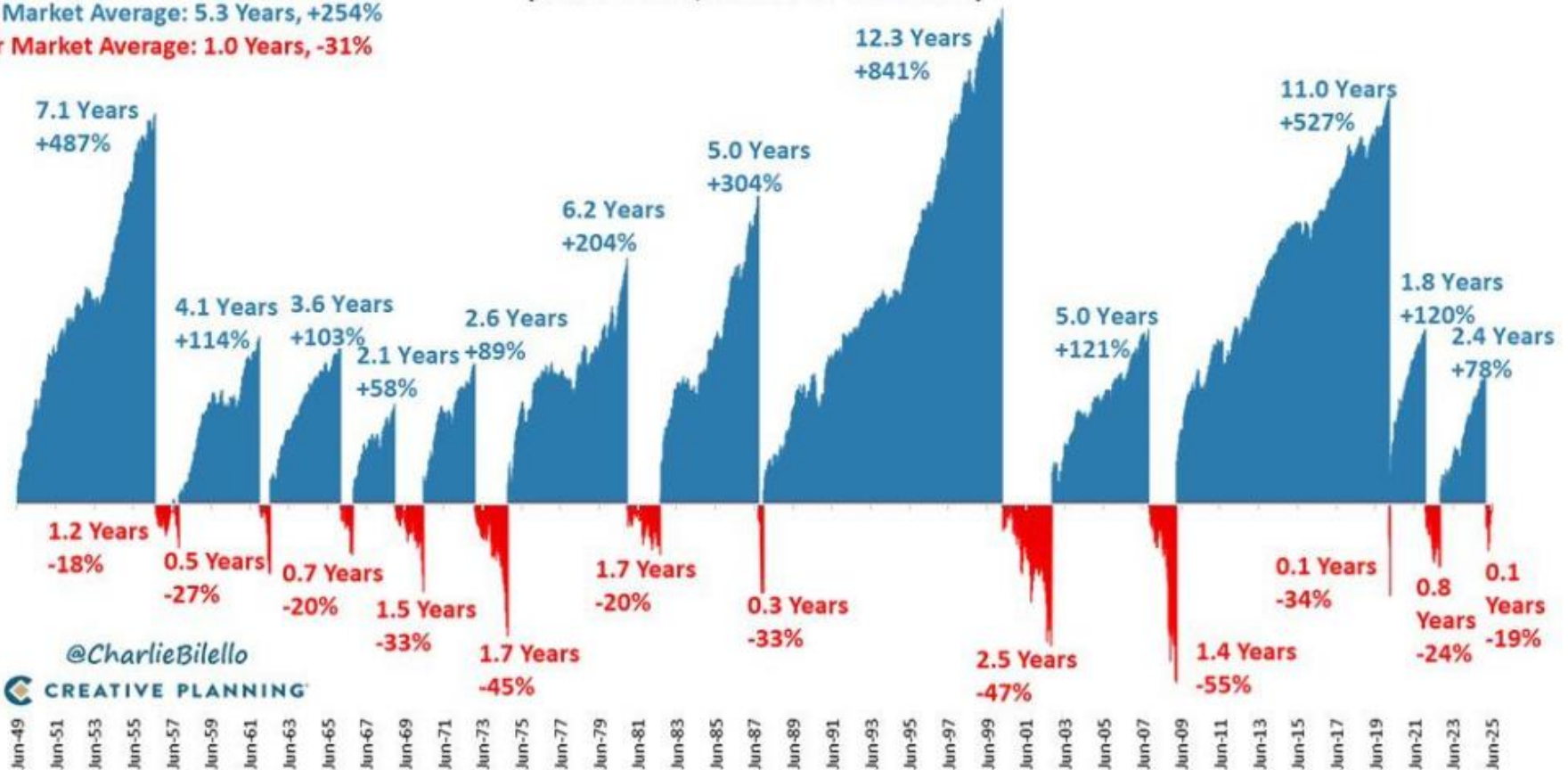


# Stay Invested - Stocks Rebound

**S&P 500 Bull and Bear Markets**  
(Total Returns, June 1949 - June 2025)

**Bull Market Average: 5.3 Years, +254%**

**Bear Market Average: 1.0 Years, -31%**





# Stay Invested - Stocks Rebound

Market and Economic Chartbook | March 28, 2020



## Bear Markets and Recoveries

*S&P 500 total returns since World War II. Bear markets are peak-to-trough declines of 20% or worse. The bold line is an average across bear markets.*

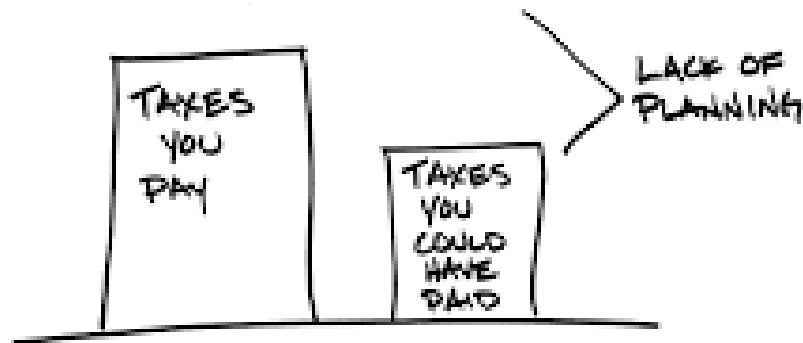


Source: Clearnomics,  
Standard & Poor's  
© 2020 Clearnomics, Inc.

U.S. Stock Market

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# Taxes and Issues for Expatriates



Bourbon Financial Management, LLC



**“Anyone may so arrange his affairs that his taxes shall be as low as possible.”**

— Judge Learned Hand — *Helvering v. Gregory*



**“There are two systems of taxation in the U.S.: one for the informed and one for the uninformed.”**

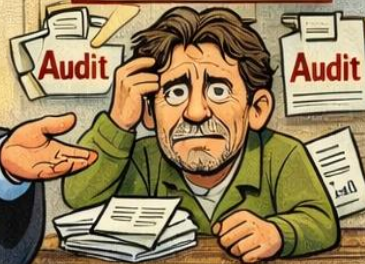
— Honorable Learned Hand



**INFORMED**



**UNINFORMED**



**UNINFORMED**

**“For my tax evasion, I should be punished. For my tax avoidance, I should be commended.”**

— Supreme Court Justice Louis Brandeis



**TAX PLANNING**



# 5 Typical Issues



## Tax and Foreign Bank Accounts (FBAR, FATCA, PFIC, SCI)



## Education Planning



## Asset Allocation / Location



## Currency Risks



## Donations / Successions

**BFM**

<http://tinyurl.com/Tax-Update-Francais-Etats-Unis>



# Taxes – OBBBA (2025)

Permanent extension of  
some of the 2017 tax cuts

2025  
TAX CUTS

• SALT to \$40,000+ limit until 2030

• Federal Estate and Gift Tax  
Exemption (\$15M+)

• 529 including \$20,000 for annual K-12 expenses

TAX

2025

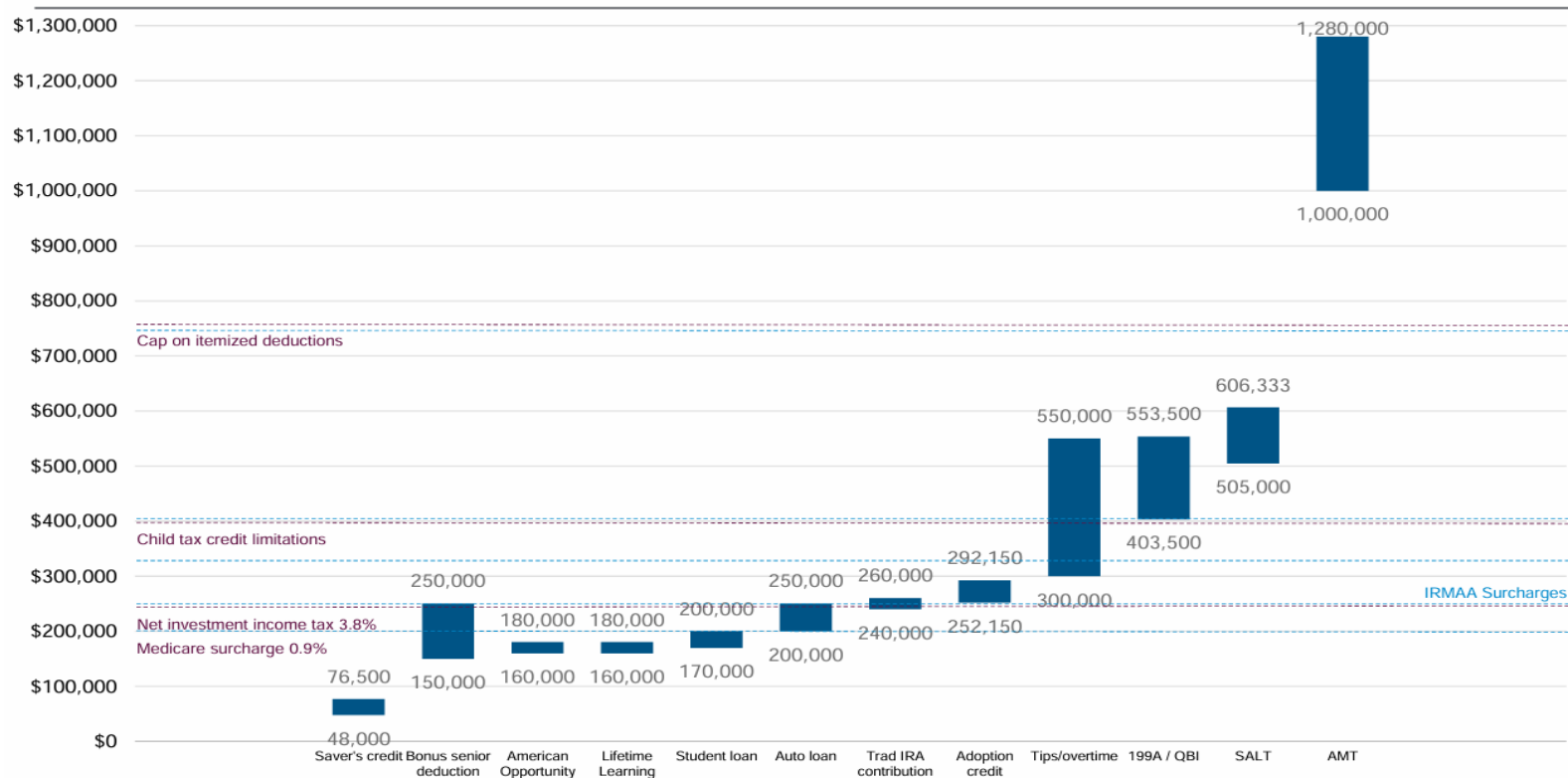
BFM TAX NEWS

– More details: <https://tinyurl.com/BFM-OBBBA>



# Taxes – OBBBA (2025)

## 2026 phaseouts and breakpoints (MFJ)

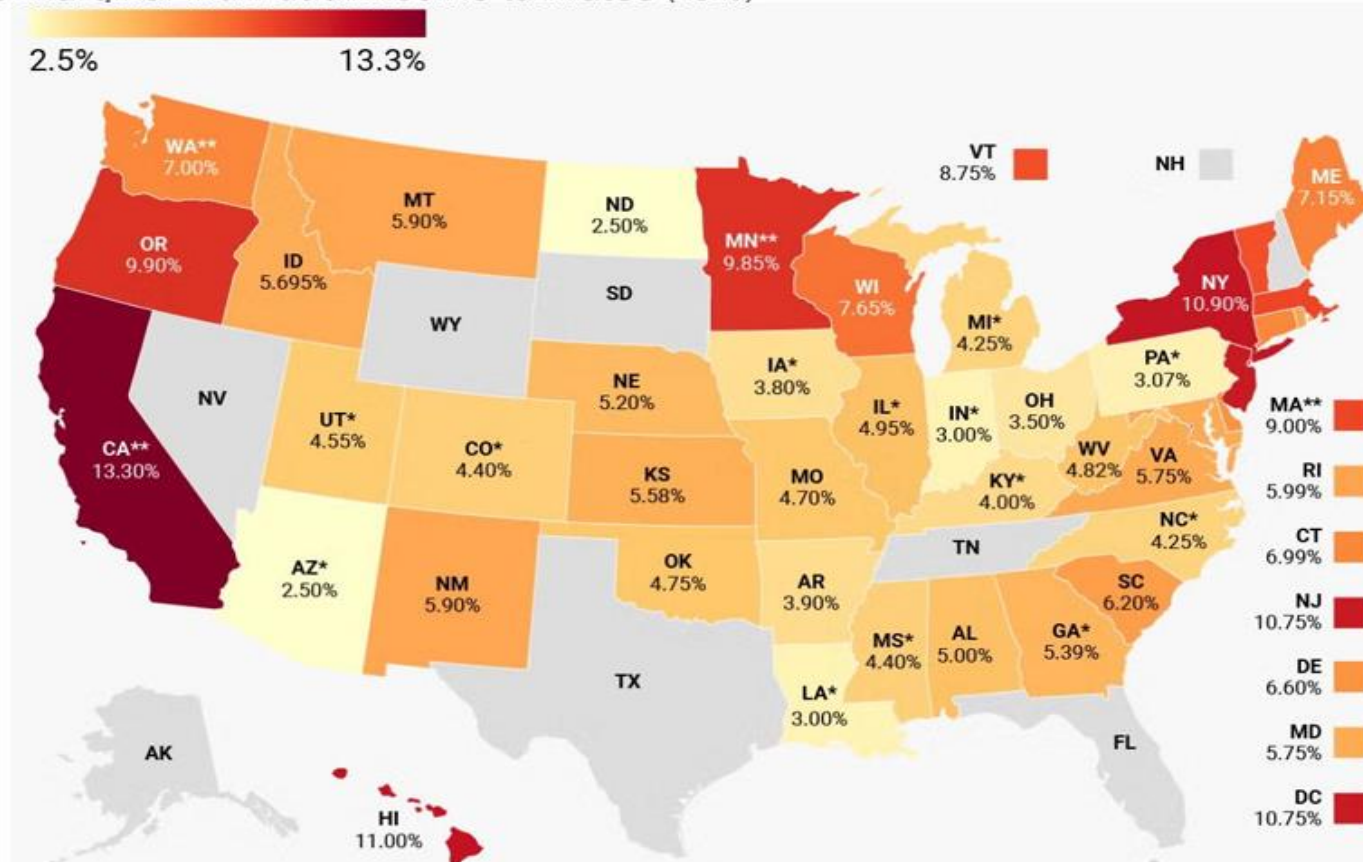


As of January 1, 2026  
Source: IRS, OBBBA, PIMCO  
Refer to Appendix for additional tax information.

See the BFM newsletter about the new 2025 Tax Bill: <https://tinyurl.com/BFM-OBBBA-2026>

# State Income Taxes

### Top marginal individual income tax rates (2025)



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included. Top rates exclude non-UI payroll taxes in CA (1.1%), MA (0.46%), and WA (0.58%), and a 1% high earners' capital gains surtax in MN.

Source: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

DISCLOSURE does not provide legal, financial planning or tax advice. Please consult your tax and/or legal counsel for specific tax or legal questions and answers.



# Lower Your Taxes



- Roth IRA: \$7,500 – \$8,600  
83,250 with 401k Mega Backdoor

- 401(k) - Roth 401(k) - 403(b):  
\$24,500 + \$8,000 or \$11,250

2025  
TAX CUTS

- HSA-Health Savings Accounts:  
\$4,400 – \$9,750

- Asset Location

- Frontload Taxes

- Trump Account: \$5,000

- 529 Education Savings Plan

- Municipal Bonds

- ETF

More details: <https://tinyurl.com/BFM> YearEnd Tips

# Foreign Income and Bank Accounts

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- Tax Summary for French in the U.S. >> <http://tinyurl.com/Tax-Update-Francais-Etats-Unis>
- If you are expats living in the U.S. ([www.irs.gov/individuals/international-taxpayers/substantial-presence-test](http://www.irs.gov/individuals/international-taxpayers/substantial-presence-test)), or if you are U.S. citizen, or Green Card holder (Permanent Resident), you should report to the U.S. government your worldwide foreign revenues, gains, investment/bank interests/dividends: [www.irs.gov/Individuals/International-Taxpayers](http://www.irs.gov/Individuals/International-Taxpayers)
- If you have (or have a power of attorney on) foreign bank accounts with a total value (sum of all accounts) above \$10,000, you should file the FBAR / FIN CEN 114 form. The penalties can include years in jail (remember that Al Capone went to jail for tax evasion in 1931): [www.irs.gov/irm/part4/irm\\_04-026-016.html](http://www.irs.gov/irm/part4/irm_04-026-016.html)
- If you have foreign bank accounts with a total value (sum of all accounts) above \$50,000 (for singles or \$100,000 for couples - if you live in the U.S.), don't forget the IRS forms 8865 or 5471 if you own French SCI and the FATCA / 8938 form (and 8621 if you own any PFIC like a mutual fund or an ETF): [www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA](http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA)
- The following websites may help the understanding.
- [www.irs.gov/Businesses/Comparison-of-Form-8938-and-FBAR-Requirements](http://www.irs.gov/Businesses/Comparison-of-Form-8938-and-FBAR-Requirements)
- [www.goldinglawyers.com/foreign-mutual-fund-pfic-8621-excess-distribution-calculation-example/](http://www.goldinglawyers.com/foreign-mutual-fund-pfic-8621-excess-distribution-calculation-example/)
- [www.irs.gov/uac/form-8621-return-by-a-shareholder-of-a-passive-foreign-investment-company-or-qualified-electing-fund](http://www.irs.gov/uac/form-8621-return-by-a-shareholder-of-a-passive-foreign-investment-company-or-qualified-electing-fund)
- If you forgot to report your foreign accounts, you could look at solutions like the streamlined process: <https://www.irs.gov/individuals/international-taxpayers/streamlined-filing-compliance-procedures>.
- Penalties could be high. "Taxpayer Owes Penalties of \$2,241,809 on Foreign Account Balance of \$1,545,676": <https://tinyurl.com/Penalty-FBAR>.
- Note that many foreign banks refuse to work with clients that are "U.S. person" so it is not easy to keep foreign bank accounts. It may also be hard for a U.S. person moving away from the U.S. to keep U.S. bank accounts.

# Estate or Inheritance Tax

State	Death Tax Type	Tax Exemption	Tax Rate
Connecticut	Estate	\$13,990,000	12%
Hawaii	Estate	\$5,490,000	10–20%
Illinois	Estate	\$4,000,000	0.8–16.0%
Kentucky	Inheritance	\$1,000	0–16%
Maine	Estate	\$7,000,000	8–12%
Maryland	Estate and Inheritance	\$5,000,000 estate; \$1,000 inheritance	0.8–16.0% estate; 0–10% inheritance
Massachusetts	Estate	\$2,000,000	0.8–16.0%
Minnesota	Estate	\$3,000,000	13–16%
Nebraska	Inheritance	\$100,000	0–15%
New Jersey	Inheritance	\$25,000	0–16%
New York	Estate	\$7,160,000	3.06–16.00%
Oregon	Estate	\$1,000,000	10–16%
Pennsylvania	Inheritance	No exemption	0–15%
Rhode Island	Estate	\$1,802,431	0.8–16.0%
Vermont	Estate	\$5,000,000	16%
Washington	Estate	\$3,000,000	10–35%
District of Columbia	Estate	\$4,873,200	11.2–16.0%

Source: The Tax Foundation



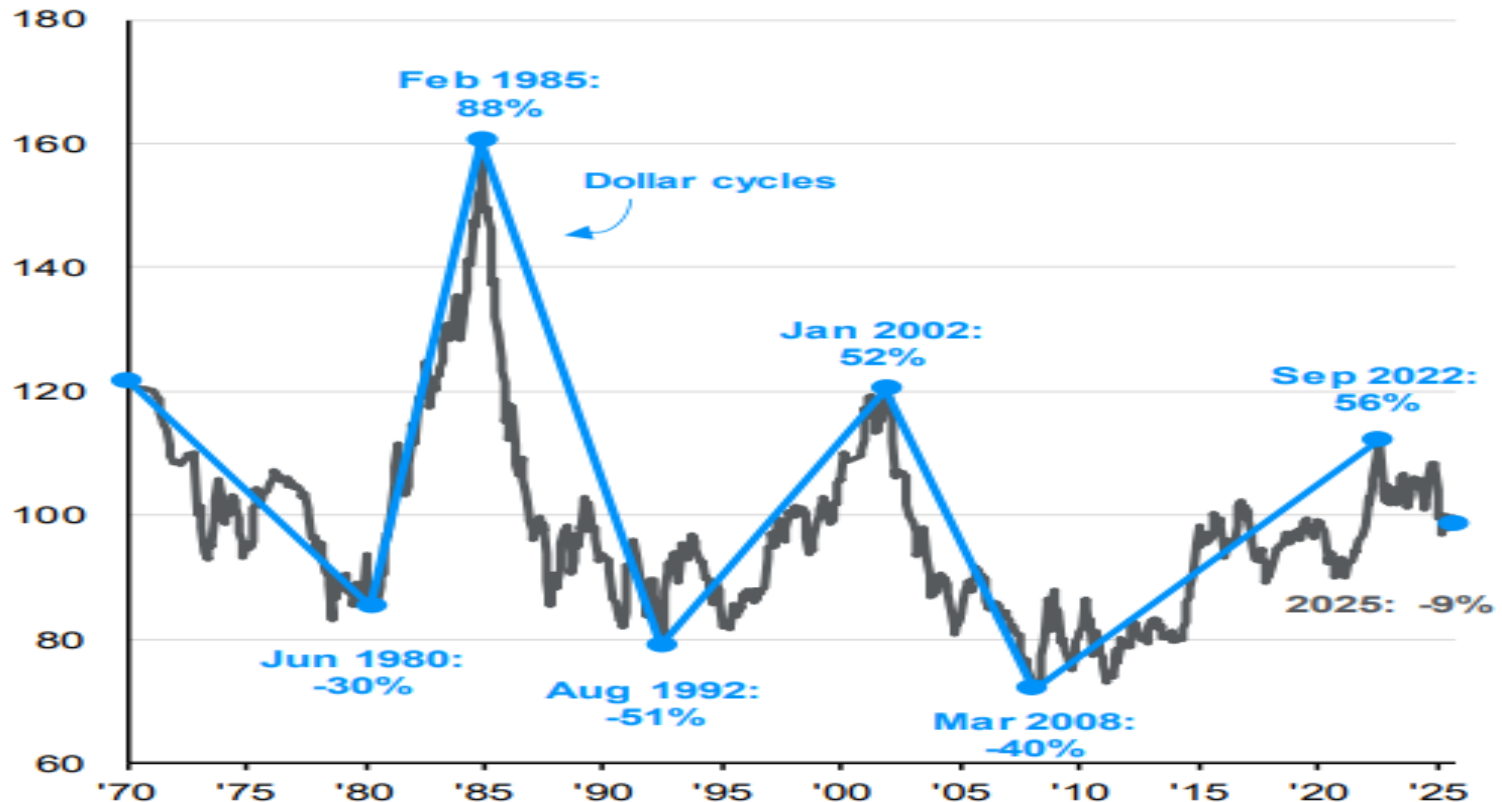
# Currency Risk



# Currency Risk

## The U.S. dollar

DXY Index, level



Source: Bloomberg, FactSet, J.P. Morgan Asset Management; (Left) ICE; (Top right) BEA; (Bottom right) BIS.  
Currencies in the DXY Index are: British pound, Canadian dollar, euro, Japanese yen, Swedish krona and Swiss franc. \*Interest rate differential is the difference between the 2-year U.S. Treasury yield and a basket of the 2-year yields of each major trading partner (Australia, Canada, eurozone, Japan, Sweden, Switzerland and UK). Weights in the basket are calculated using the 2-year average of total government bonds outstanding in each region.  
Guide to the Markets – U.S. Data are as of December 31, 2025.

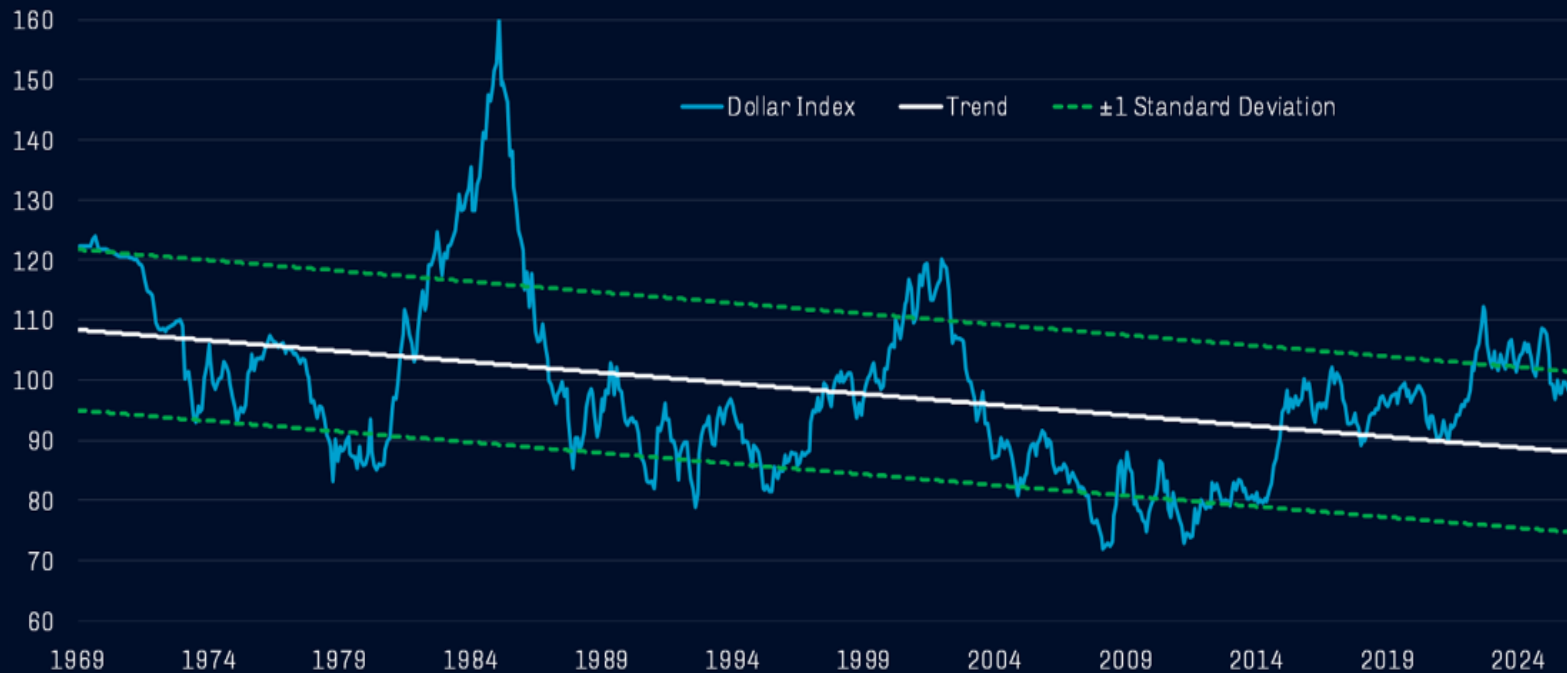


# Currency Risk

## Long-term USD Depreciation Trend

### Exchange Rate of Major Currencies to the US Dollar

Bloomberg's DXY Index



Source: Bloomberg, First Eagle Investments, data through December 31, 2025.





# Conclusions



Stick with your plan - Don't try to do market timing  
- Do not panic



Retirement may be long



Healthcare costs may be high



Inflation and Taxes  
have large negative effects



The capital you may need to retire  
may be higher than expected



Asset allocation and diversification  
are very important



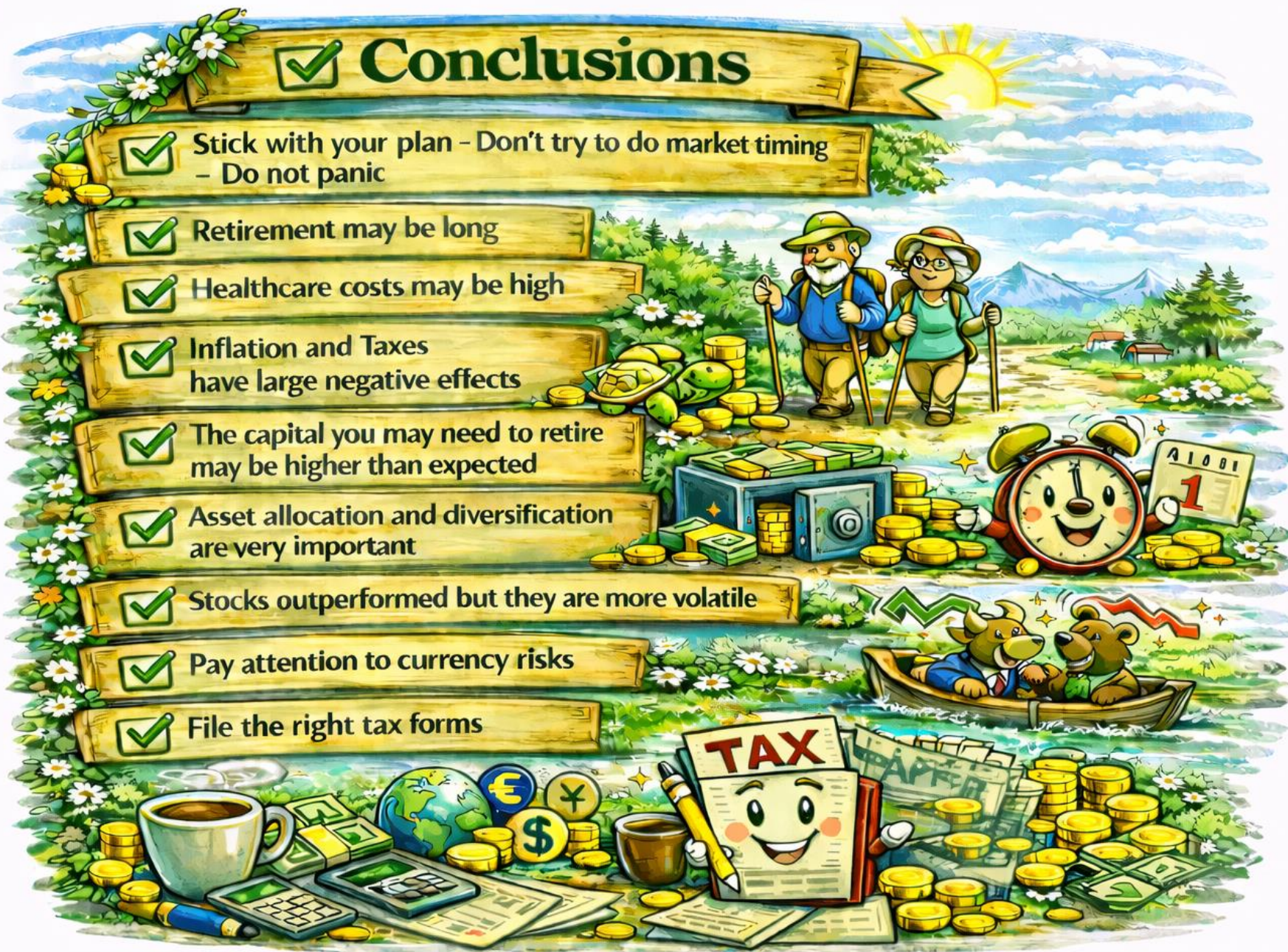
Stocks outperformed but they are more volatile



Pay attention to currency risks



File the right tax forms





# Optimize Your

## WEALTH and BEHAVIOR



### SMART MONEY HABITS

- ✓ Diversify
- ✓ Avoid Timing
- ✓ Plan for Retirement

### GOOD BEHAVIOR

- ✓ Stay Calm
- ✓ Start Early
- ✓ Increase Savings

# Educate Yourself

## to Minimize MISTAKES



**Daily postings:**  
**[bourbonfm.com/blog](http://bourbonfm.com/blog)**

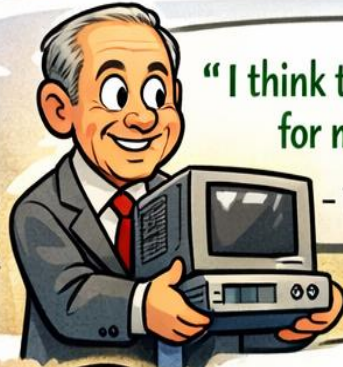




"Who the hell wants to hear actors talk?"

H.M. Warner, Warner Brothers, 1927

# Pay Attention to What People Do... Not What they Say...



"I think there is a world market for maybe 5 computers."

— Thomas Watson, Chairman of IBM, 1935



"TV won't be able to hold on to any market. People will soon get tired of staring at a plywood box every night."

— Darry Zanuck, 20<sup>th</sup> Century Fox, 1946



"No one will need more than 637kb of memory, 640 kb ought to be enough for anybody."

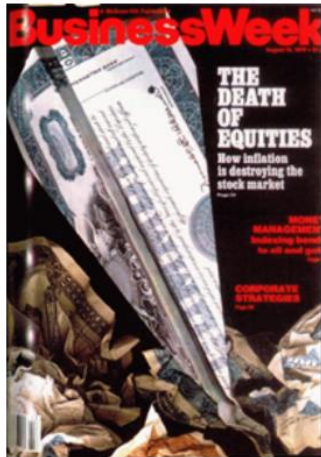
— Bill Gates, Microsoft, 1981



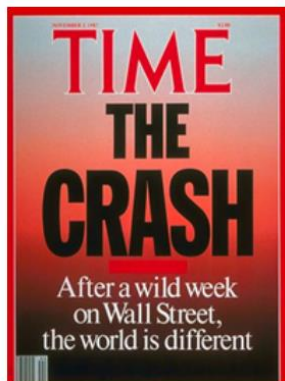


# Do Not (?) Pay Attention to News

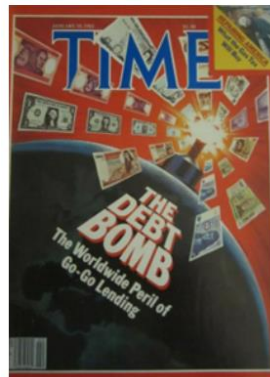
August 1979



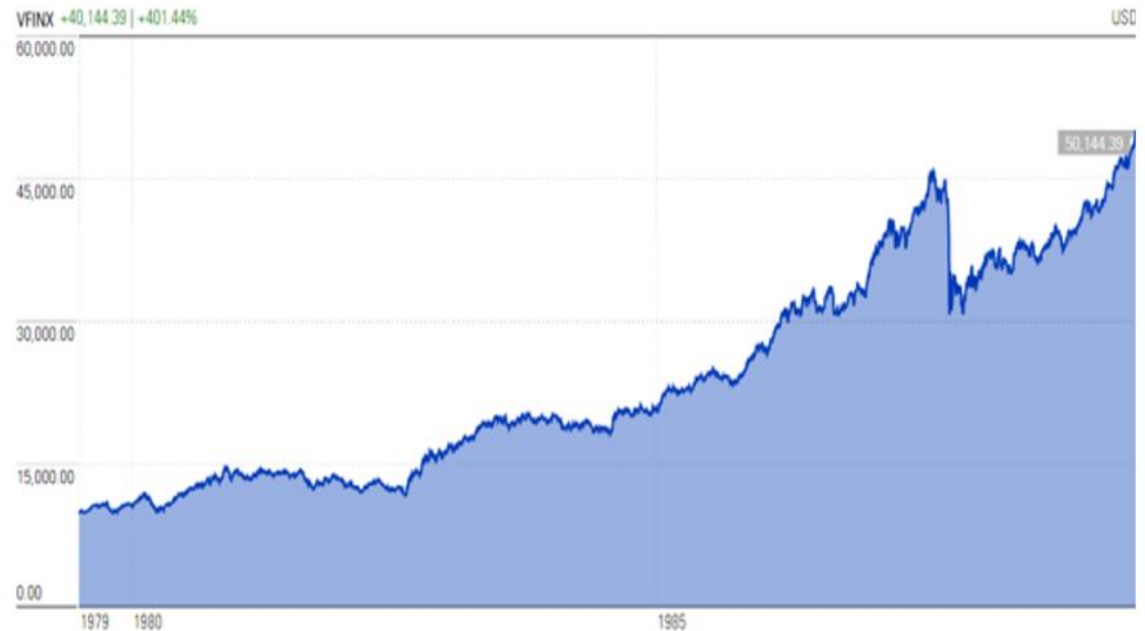
October 1987



January 1983



But, \$10,000 invested in a U.S. stock Index fund in 1979 would have become more than \$50,000 ten years later...

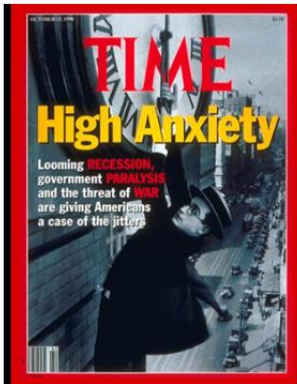


Source: Morningstar

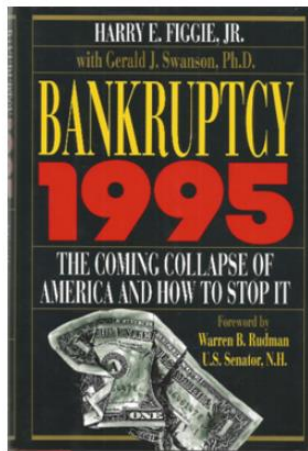
BFM newsletter about the news : <https://tinyurl.com/BFM-News>

# Do Not (?) Pay Attention to News

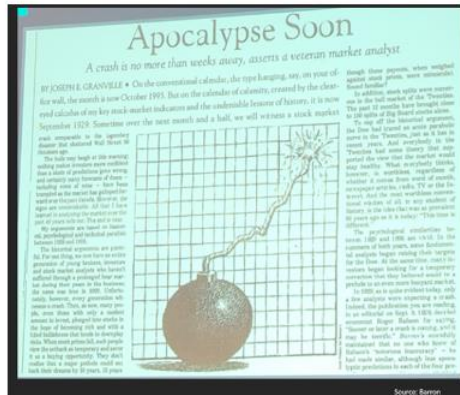
October 1990



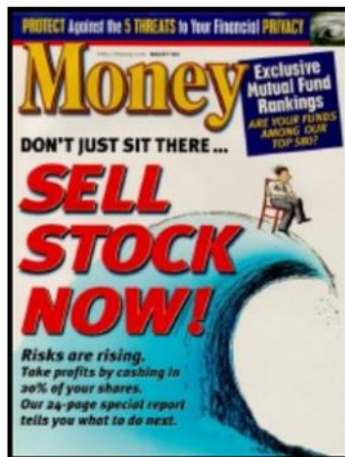
September 1992



October 1995



August 1997



But, \$10,000 invested in a U.S. stock index fund in 1990 would have become more than \$60,000 ten years later...



Source: Morningstar

BFM newsletter about the news : <https://tinyurl.com/BFM-News>



# Do Not (?) Pay Attention to News

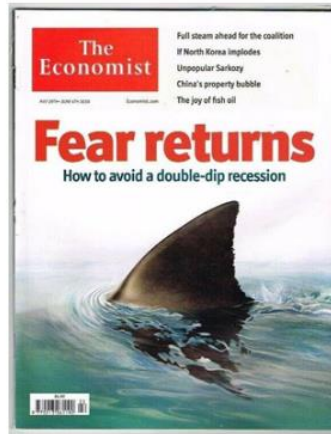
January 2010



December 2011



May 2010



August 2018



But, \$10,000 invested in a U.S. stock index fund in 2009 would have become more almost \$50,000 ten years later...



Source: Morningstar

BFM newsletter about the news : <https://tinyurl.com/BFM-News>



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<http://www.bourbonfm.com>

**Daily postings: [bourbonfm.com/blog](http://bourbonfm.com/blog)**



# Disclosures

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