

# Five questions cross-border experts are facing as trade war escalates

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PUBLISHED YESTERDAY

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Clients with connections to both sides of the border are worried about social security, tariffs being imposed on services, and more.

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With the escalation of U.S. President Donald Trump’s trade war, cross-border advisors have been swamped with queries from clients anxious about how the changes will affect them.

“It’s becoming a regular event. Questions come up at every single meeting,” says Irina Matco, co-founder and cross-border financial planner at i2 Wealth Cross Border Planning in Montreal.

She's not alone. Here are the top concerns advisors are hearing from clients with connections to both sides of the border:

## **Renouncing U.S. citizenship**

Andrea Thompson, certified financial planner at Modern Cents in Toronto, says Canadian clients who live in the U.S. and are disgruntled about the political environment have inquired about the pros and cons of keeping their U.S. citizenship.

These clients often have dual citizenship through their parents and don't have ongoing ties or family in the U.S., Ms. Thompson says.

Ms. Matco says these clients also want to know about the future tax implications of such a move. The trade war has them wondering about the viability of the U.S./Canada tax treaty, for example.

"This concern stems from the possibility of losing certain treaty benefits or becoming subject to double taxation in the future," she says.

Ms. Matco would conduct various tests to determine the consequences of renunciation, which could include a capital gains tax.

## **Social security**

Many clients are worried about the viability of U.S. social security, which Ms. Matco notes is significantly underfunded.

"Based on the 2024 annual report, projections indicate the trust fund could run out of money by 2035 unless changes are made," she says.

If no changes are made to the funding, retirees could receive just 83 per cent of their social security benefits beginning in 2035, according to the report.

With the administration's us-versus-them mantra, some clients believe social security payments could be put on the table for those who reside abroad.

Ms. Thompson has clients who lived and worked in the U.S., accruing social security they're banking on to fund their retirements. Due to client demand, she started incorporating a lower amount of social security into their financial planning projections. Some want her to take social security out of her planning completely.

“They don’t want to rely on it,” Ms. Thompson says. “They don’t trust it’s going to be around in whatever iteration it will be once the time they qualify comes.”

Kris Rossignoli, cross-border tax and financial planner at Cardinal Point Capital Management ULC in New York, has also discussed social security with his senior clients.

Typically, retirees defer their social security to age 70, he says, as they receive a permanent 8-per-cent increase to the benefit every year they defer. But some are considering an earlier withdrawal out of fear that social security won’t be around.

## **Currency risk and opportunity**

Ms. Thompson has Canadian clients employed by U.S. companies and others who receive U.S. pension and investment income. These clients are asking for financial planning projections that reflect a stronger U.S. dollar against the Canadian dollar.

“While the exchange rate back to Canada is so beneficial to them right now, they want to know how to optimize their financial situation,” she says.

Using financial planning software, Ms. Thompson models out currency assumptions for the short term.

Mr. Rossignoli says currency fluctuations are always on his clients’ radar. With the Canadian dollar depreciating over the past 18 months, clients with investments in U.S. dollars have been looking to transfer them into Canadian dollars to lock in a lucrative foreign exchange rate.

## **Tariffs on services**

Freelance contractors who work remotely for a U.S. company worry tariffs will be put on the services they provide, Ms. Matco says.

“There’s a growing concern the trade war could extend beyond goods and affect individuals as well,” she notes.

Some clients are wondering about their ability to continue to work for themselves with a U.S. company.

## **Tariffs and investments**

All clients are concerned about investment performance given the sell-off in U.S. stocks, Mr. Rossignoli says. He emphasizes his portfolios' diversified asset approach.

“While the S&P 500 might be down 8 per cent, our average client may only be down 1 to 2 per cent,” he says.

His portfolios include allocations to international equities, emerging markets, alternatives and fixed income.

“It depends what stage of life they're in,” he says. “We're making sure their investment mix still matches their risk tolerance.”

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