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Money, investments & retirement

401(k)s, IRAs, US funds, UK pensions, banking, credit and moving your money.

Build your free, personal move plan at **yourlandfall.com/plan**: five questions, and only the steps that apply to you.

yourlandfall.com · Based in Scotland, covering the UK.

General information, not personal tax, financial, legal or immigration advice.

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What happens to my 401(k) and IRA when I move to the UK?

THE SHORT ANSWER

In most cases they can stay where they are and keep growing tax-deferred. The US–UK tax treaty generally stops the UK taxing the growth until you take money out. Cashing out or rolling over around the move is where expensive mistakes happen.

The short version

US retirement accounts are generally respected by the **US–UK tax treaty**. While you live in the UK, the UK generally doesn't tax the growth inside your 401(k) or IRA. Withdrawals are taxed when you take them, under the treaty's pension rules.

401(k)s and traditional IRAs

- **Leaving them alone is usually fine.** The account keeps growing tax-deferred, as it would in the US.
- **Withdrawals** are generally taxed in the UK as pension income while you live here, with the treaty deciding how US tax and UK tax interact.
- **Early withdrawals** can mean US penalties as well as tax in both countries, with credits that may not line up neatly.

Roth IRAs

Roth IRAs need more care. The UK's position relies on the treaty treating your Roth as a pension.

- **Growth and qualified withdrawals** can stay free of UK tax.
- **Contributions made after you become UK resident** can put that protection at risk, so pause before contributing once you've moved.

Common mistakes

- **Cashing out "to simplify things"** before or just after the move. That can mean penalties and tax in both countries.
- **Rolling over without checking the UK side.** A move between account types can be fine in the US but have different UK results.

- **Assuming your US broker will keep you.** Some US firms restrict accounts for customers living abroad. Ask before you move, and update your address properly.

What to do next

Retirement accounts are one of the steps where specialist advice usually pays for itself, especially with a Roth or if you might take money out in the next few years. Build your move plan to see where they fit in your timeline.

Are my US mutual funds and ETFs a problem in the UK?

THE SHORT ANSWER

Often, yes. Most US funds don't have UK "reporting fund" status, so once you're UK resident, gains on them can be taxed as income rather than at lower capital gains rates. The best time to plan is before you arrive.

Why US funds are a UK problem

From the UK's point of view, a US mutual fund or ETF is an **offshore fund**. Unless it has UK **reporting fund status**, which most US funds don't, gains when you sell are taxed as **income** rather than as capital gains. Income tax rates are higher, and capital gains allowances don't help.

Why UK funds are a US problem

It works the other way too. To the US, most UK and other non-US funds are **PFICs** (passive foreign investment companies), which come with harsh US tax and extra forms. So simply swapping your US funds for UK ones usually swaps one problem for another.

What people usually look at

These need personal advice, but the usual starting points are:

- **Timing:** selling or reorganizing before you become UK resident, while UK tax doesn't apply.
- **The four-year regime:** if you qualify for the FIG regime, foreign gains may be relieved from UK tax for your first four UK tax years.
- **What you hold:** individual shares, and the small number of funds with UK reporting status, are treated differently from typical US funds.
- **Retirement accounts:** funds inside a 401(k) or IRA are generally covered by the treaty's pension rules instead. See 401(k)s and IRAs.

What to do next

If you have a taxable brokerage account with funds in it, this is one of the most valuable steps to get right before you move. Build your move plan to see it in order with everything else.

How do UK workplace pensions work for Americans?

THE SHORT ANSWER

Your UK employer will usually enroll you in a workplace pension automatically, with you and your employer both paying in. The US–UK tax treaty generally lets that pension grow without US tax, and can give US tax relief on contributions, within limits. Personal pensions and lump sums need more care.

Automatic enrollment

UK employers must automatically enroll eligible workers into a **workplace pension**. If you're 22 or over and earn above a set amount, you'll be enrolled unless you opt out.

- **You and your employer both contribute**, with legal minimums. Many employers pay more, especially if you pay more too.
- Your contributions usually get **UK tax relief**, so a contribution costs you less than its face value.
- You can opt out, but you'd usually lose your employer's contribution.

How the US sees your UK pension

Under the **US–UK tax treaty**, a UK pension scheme is generally respected by the US:

- **Growth inside the pension** generally isn't taxed in the US until you take money out.
- **Contributions** to a UK workplace scheme can often be deducted or excluded on your US return, within US limits, if conditions are met.
- **Employer contributions** can usually be kept out of your US taxable income, again within limits.

These benefits depend on meeting the treaty's conditions, which are clearer for **employer schemes** than for personal pensions such as a SIPP.

Watch-outs

- **The 25% tax-free lump sum** that the UK allows may not be tax-free in the US. Plan withdrawals with both countries in mind.

- **Reporting:** UK pensions usually need to be reported on your FBAR and Form 8938, even though they're not taxed each year.
- **Funds inside personal pensions** can raise US investment issues if they aren't covered by the treaty.
- **Salary sacrifice** arrangements change how contributions show on your payslip; check how they're reported in the US.

The UK State Pension

National Insurance contributions build your **UK State Pension** record. You usually need **10 qualifying years** to get any State Pension and **35 years** for the full amount. The US–UK **totalization agreement** can count time in both countries towards eligibility for each system's benefits.

What to do next

If you're moving with a 401(k) or IRA as well, read what happens to your 401(k) and IRA. For larger pensions, cross-border financial planning advice usually pays for itself.

How do I open a UK bank account as an American?

THE SHORT ANSWER

It's easiest once you have a UK address and your visa documents. Many people use a multi-currency account to bridge the gap, then open a UK account after they land. Your US credit history won't follow you, so start a UK one early.

The chicken-and-egg problem

UK banks usually want **proof of a UK address** and your **ID and visa**. Landlords often want a UK bank account. That's why the first weeks can feel stuck.

What helps:

- **A multi-currency account** you can open before you leave, to hold pounds and pay a deposit.
- **Banks with new-arrival accounts.** Some UK banks open basic accounts with your visa and a letter from your employer or university.
- **Your employer.** Some have arrangements with a bank for new staff.

Being a US person

Because of US reporting rules (FATCA), UK banks report accounts held by US citizens. Most current accounts (the UK name for checking accounts) are fine. **UK investment platforms are pickier**, and some don't accept US citizens at all. That's another reason to plan investments before you move.

Keep your US accounts working

Tell your US bank and brokerage you're moving abroad. Some restrict or close accounts for overseas customers, and it's much easier to sort out before you leave.

Building a UK credit file

Your US credit score doesn't transfer, so start a UK credit history early. See how to build a UK credit history.

What to do next

Build your move plan to see banking in the right order with housing and everything else.

How do I build a UK credit history?

THE SHORT ANSWER

Your US credit score doesn't transfer, so you start from zero. Getting on the electoral register where you can, keeping bills in your name, and using a credit card lightly and paying it off in full will build a UK credit file within months.

Why it matters

UK lenders, landlords, phone companies and even some utility firms check your **credit file**. With no UK history you may face:

- higher deposits or rent in advance
- being refused a phone contract or credit card at first
- fewer mortgage options

How UK credit works

There's no single UK credit score. Lenders use reports from **credit reference agencies**, mainly **Experian, Equifax and TransUnion**, and each lender scores you its own way. You can check your file with each agency for free.

Steps that build your file

1. **Get on the electoral register if you can.** It confirms your address to lenders. US citizens can't usually vote in UK general elections, but in **Scotland and Wales**, foreign nationals with permission to live here can usually register for devolved and council elections. Elsewhere, you may not be eligible, and that's fine.
2. **Put bills in your name**: energy, broadband, council tax and your phone.
3. **Open a UK current account** (checking account) and use it for your salary and bills. See opening a UK bank account.
4. **Get a starter credit card**, use it for small regular spending, and **pay it off in full** every month.
5. **Keep the same address** where you can. Frequent moves make your file thinner.

What to avoid early on

- Applying for lots of credit at once. Each application can leave a mark.
- Missing payments, even small ones.

- “Credit repair” services that charge for things you can do yourself.

US credit: keep it alive

Keep at least one US credit card open and in use if you can, with a US address for statements. You may want US credit again, and an inactive account can be closed.

What to do next

Build your move plan to see credit-building in the right order with banking and housing.

How should I move money from the US to the UK?

THE SHORT ANSWER

Compare the total cost, meaning the exchange rate plus fees, not just the fee. Specialist transfer providers are usually cheaper than banks for large amounts. Moving your own savings isn't taxed in itself, but have proof of where the money came from ready, because UK banks will ask.

What a transfer really costs

Most of the cost is hidden in the **exchange rate**, not the fee. Compare the rate you're offered with the mid-market rate you see on financial news sites. A gap of 2–3% is common at banks; specialist providers are often much closer.

For a house deposit or a year's savings, that difference can be thousands.

Your options

Option	Good for	Watch out for
Your US bank's international wire	Simplicity	Wider exchange-rate margins and fees on both ends
Specialist transfer providers	Most transfers, including large ones	Check they're authorized by the FCA in the UK
Currency brokers (for large sums)	Home deposits, fixing a rate in advance	Minimum amounts; get quotes from more than one
Multi-currency accounts	Holding dollars and pounds, small regular transfers	Limits and fees for large amounts

Large transfers: be ready for questions

UK banks and providers must check where large sums come from. Have ready:

- statements showing where the money built up
- sale documents if it's from selling a home or investments
- gift letters if family is helping you

For a house purchase, your solicitor will ask for the same.

Tax points

- **Moving your own money** from the US to the UK isn't taxed in itself. What can be taxed is **income and gains**.
- **Sell first or move first?** If you sell investments to fund the move, the timing relative to when you become UK resident can affect UK tax on the gain. See when UK tax starts.
- **Exchange-rate gains** can be taxable in the US in some cases, such as repaying a UK mortgage.

Keep a US account

Keep a US checking account open for US bills, refunds and credit cards. Some US banks restrict accounts for customers living abroad, so ask before you move.

What to do next

Build your move plan to see money steps in order.

Should Americans use ISAs and Premium Bonds?

THE SHORT ANSWER

Often not in the way Brits do. ISAs and Premium Bond prizes are tax-free in the UK, but the US taxes them, and funds held inside a stocks and shares ISA usually count as PFICs, which carry harsh US tax and extra forms. A cash ISA can be fine; most other UK "tax-free" products need care.

Why “tax-free” isn’t tax-free for you

UK tax breaks only apply to UK tax. As a US citizen or green card holder, you still report the income and gains on your **US return**, and the US doesn’t recognize ISAs.

Product by product

Product	UK	US	Usual view for Americans
Cash ISA	Interest tax-free	Interest taxable	Can be fine, as long as you report the interest
Stocks and shares ISA (funds)	Tax-free	Funds usually PFICs: harsh tax and extra forms	Usually avoid
Stocks and shares ISA (individual shares)	Tax-free	Dividends and gains taxable	Possible, but you lose most of the benefit
Lifetime ISA	Tax-free, plus a government bonus	Bonus and growth likely taxable	Needs advice
Junior ISA	Tax-free	Same issues as above, for your child	Needs advice
Premium Bonds	Prizes tax-free	Prizes taxable income	Report any prizes

The PFIC problem

Most UK funds and ETFs are **passive foreign investment companies (PFICs)** for US tax. Without special elections, gains are taxed at the top US rate with an interest charge, and each fund needs its own **Form 8621**. That cost usually outweighs the UK tax saving.

What Americans usually do instead

- Use the **UK workplace pension**, which is generally respected by the US–UK treaty. See UK pensions for Americans.
- Hold **individual shares** rather than funds where investing in taxable accounts.
- Keep investments in **US accounts** where the provider allows UK-resident customers.
- Use a **cash ISA** for savings, and report the interest in the US.

What to do next

Cross-border investing is an area where advice usually pays for itself. Build your move plan to see your investment steps in order.

About Landfall

Landfall helps Americans plan their move to the UK, with free move plans and guides that cover both countries. It's run by Leah Guevara from Edinburgh. Based in Scotland, covering the UK.

Members get dated reminders, templates, a community and time with Leah. When a step needs a qualified specialist, such as tax in both countries, investments or immigration, we say so plainly and can introduce you to people we trust. Some specialists pay us an introduction fee; we always say when.

Your next step: build your free move plan at yourlandfall.com/plan, or see memberships at yourlandfall.com/membership

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