10 MISTAKES THAT CAN DERAIL YOUR VERSION OF THE AMERICAN DREAM

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INTRODUCTION

For Anybody Looking for a Fresh Start

It does not matter how you got here, where you started, where you now live, the **opportunities are available** - make the most of them.

To be successful in the country there are some things you must do, and some things you must avoid. This applies to anybody looking for a fresh start.

If you avoid making these **10 deadly mistakes** – you will have a shot at making it!

Paul Skorupskas on Unsplash

Yes, You Can Succeed and Thrive

MISTAKE NO 1

Not Starting Right Away

There is a famous Chinese proverb that says **"The best time to plant a tree was 20 years ago. The next best is today".** If you want to succeed you have to start now.

This could be getting your financial life in order, starting to invest, starting a new business, or starting on a new course. Stop procrastinating and start.

As human beings, we can justify just about anything, **including things that sabotage our success.** Decide, this is not for you and start on something, however small.

The best time to plant a

tree was 20 years ago.

The next best is today".

Photo by [Dayne Topkin]() on [Unsplash]()

MISTAKE NO 2

Not Having a Budget

One of my clients once said to me – "the thought of creating a budget makes me want to throw up". After a lot of conversations, we figured out she feared what her budget would reveal.

I understand it can be scary, **but it can't be any worse than getting on a plane to move to a new country.** A budget is one the best ways to figure out your exact situation, giving you an idea of where to start from.

Once you have a budget, you will be able to plan for an emergency fund. As I've explained in other articles, these funds can be used to support you and your family, help you find another job or buy a ticket back to your home country if you lose your job.

A good amount to aim for is 3-6 months + the cost of a plane ticket back to your home country.

BUDGET, BUDGET, BUDGET

MISTAKE NO 3

Not Taking Advantage of Tax-Advantaged Savings Vehicles

Benjamin Franklin once said **"…..in this world, nothing is certain except death and taxes".** The federal income tax which can go as high as 37% if you are in the highest income tax bracket, combined with the state income tax will take a good chunk of your hard-earned earnings.

Luckily, the same government provides a lot of ways of mitigating some of this. It also allows you to postpone some of the taxes to a later time when you are likely in a lower bracket.

The following is a list of some of these vehicles. If you are eligible for any of them, plan to take advantage of them, paying less in taxes now, and giving the money time to grow. Over the next couple pages, I'll discuss the accounts briefly.

- **401k, 401k Roth, and Other Workplace Retirement Accounts**
- **HSAs (Health Savings Accounts)**
- **Flexible Spending Accounts**
- **Roth IRA**
- **529s (College Savings Accounts)**

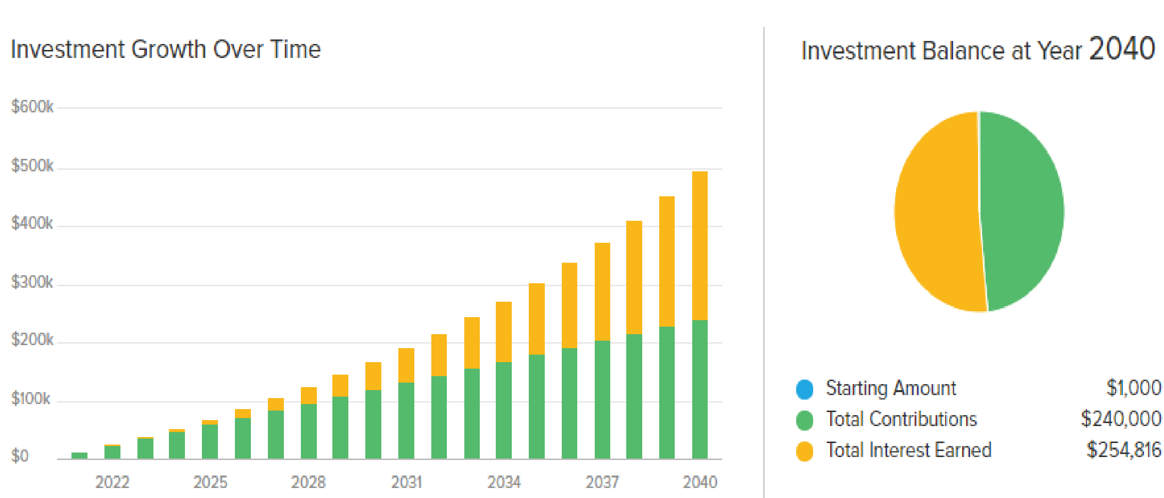
WORKPLACE RETIREMENT ACCOUNTS

The 401k plan allows you to shield some of your income from taxes. The money goes in **pre-tax** and grows **tax-deferred** until you have to take it out at retirement. If your employer has a match, not taking this is literally leaving money on the table.

The 401k Roth is a little different. The money goes in after taxes, but it grows **tax-free** and will come out **tax-free**. This is great for those with lower income.

Below is a simple example to show you the growth possible.

Start with a $1,000, invest $1,000 monthly and let it grow at a conservative 7% for the next 20 years. By the end of that period, your funds would have more than doubled.



HSAS (HEALTH SAVINGS ACCOUNTS)

This is one of the best health benefits offered by some companies. The HSA (Health Savings Account) is usually paired with a high-deductible health plan (HDHP).

HSAs are typically best for folks who are generally healthy, and not likely to need expensive health care now. They offer what has been referred to as a as a triple tax benefit .

- Lower your taxable income,
- Grow tax-free and,
- Come out tax-free if used for qualified medical needs.

Medical expenses are set to grow at 5.5% per year over the next 10 years or so, it's crucial to start preparing for this now.

This makes the accounts a very attractive option especially when starting out.

In 2021 the contribution limit is $3600 if single and $7200 if contributing for a family.

PS: This all assumes that you have some type of health insurance.

FLEXIBLE SPENDING ACCOUNTS

There are two versions of this accounts. One is used for medical expenses not covered by your insurance plan. So, it can be used for things like prescriptions, braces, eyeglasses etc.

The second option in this category is the **Dependent Care Flexible Spending Account.**

This is used for covering expenses from taking care of your dependents. For example, preschool, before and after school care for the kids.

It can also be used for expenses from caring for a relative who is unable to take of themselves.

The contribution goes in **pre-tax** lowering your taxable income.

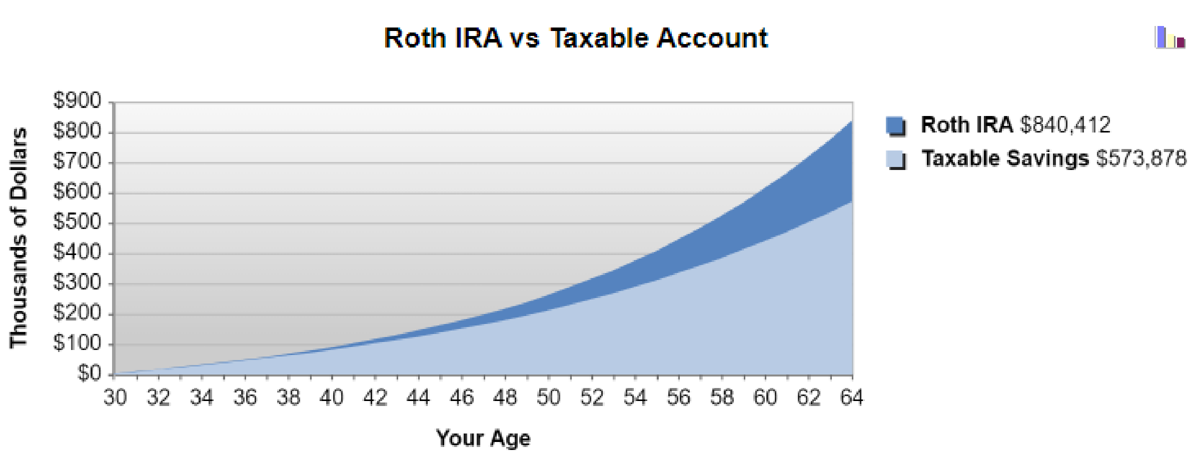
ROTH IRA

You contribute money **after taxes**, the money grows **tax-free** and comes out **tax-free.** There is an income limit for how much you can contribute. In 2021, the limit is $140,000 for singles and $208,000 for married couples. The current max contribution is $6,000 per person, if over 50, you are allowed an extra $1,000.

Besides retirement, the **ROTH IRA** gives you a lot of flexibility. You can withdraw your original contribution anytime. There are special circumstances when you are able to withdraw the earnings penalty free. This article gives you more details on this awesome account.

A simple example illustrates the ROTH difference.

Assume you are 30, you save the max allowed in the ROTH account, every year, and have it grow at a 7% rate. The ROTH will have close to 270k more than the equivalent taxable account at age 64.



529 (COLLEGE SAVINGS ACCOUNTS)

A tax-advantaged account that can be used to pay for qualified college costs as well private schools.

Immigrants value education highly – having access to this account will help fund the demand.

One of its attractive features is being able to change the beneficiary at any point, including the person that owns it.

Photo by [Honey Yanibel Minaya Cruz]() on [Unsplash]()

So, a parent can start a 529 account for the kids, if the kids end up not using it, the parent can use the money for their own qualified education expenses or for other kids related to the original beneficiary.

The account is funded with **after-tax** money but grows **tax-free** and comes out **tax-free** if used for qualified expenses.

Some states will offer tax breaks in the form of **full or partial deduction or credit.** The accounts have no income, age or annual contribution limits.

The account can be funded by anyone, which makes it very easy for friends and family wanting to gift money to the kids. [It's one of the of the accounts you can open if you are in the country on a work visa.]()

THE DILEMMA OF HAVING FAMILIES IN TWO COUNTRIES

One of the common stories I hear from my fellow foreign-born citizens is the fact that they are not always sure if they are going to retire in the U.S. or their country of birth.

I completely understand, **having options is one of the advantages of having come from elsewhere.**

But life has a funny way of shaping priorities and actions, especially when kids are involved.

Photo by Nina Hill on Unsplash

Once your kids come into the picture, you work so hard to teach them the values you grew up with. You put them into the best schools possible and before you know it, they are grown up and are settling into their new lives, having kids of their own.

THE RETIREMENT DILEMMA

As a first-generation grandma/grandpa you find yourself in a pickle at this point.

You want to go back and retire where you grew up – but making the move means being away from your grandchildren and missing out on watching them grow.

It is a real dilemma without an easy fix. Everybody's solution is different, but for most, it ends up being a combination of straddling the two countries.

Having **tax-deferred** or **tax-free** money will go a long way in helping you live this kind of life. But there are a couple things to watch out for with taxes and different laws. My advice is focus on what you can do today and just get going.

PS: I'm currently working on a paper on what to do with different retirement accounts if you find yourself in this situation.

MISTAKE NO 4

Not Protecting Your Family

This deals with death. It is an emotional subject to contemplate, and one that a lot of people do not want to think about it.

You can't afford to ignore the issue, as it affects your children.

You want them to have it better than you did.

Photo by Alejandro Garrido Navarro on Unsplash

If you are not around to take care of them financially, **life insurance will ensure their lives are not interrupted by a lack of money.**

As part of cultural practices, some immigrant communities choose to bury the deceased in their home country in the unfortunate situation of death. This entails shipping the body, which can be very expensive. There are some insurance options, but life insurance is one way to cover the costs, without stressing the family left behind.

Keep it simple, and just get 10 times your income of term life insurance. It will go a long way in taking care of your family if something happens to you.

MISTAKE NO 5

Not Protecting Your Income

There are some sobering facts on this issue. 1 in 4 20-year-olds will become disabled before the age of 67, more than 5.6% will experience a short-term disability.

Disability insurance, both short-term or long-term will protect you if out of work due to sickness, injury or a severe disability.

Most companies will offer this as a group benefit, so a great place to start.

MISTAKE NO 6

Not Protecting Your Assets

If you own any kind of property, you need to ensure that it's protected. To acquire that asset, you probably had to work very hard, and yet **one single mistake can wipe out everything and ruin your life.**

This means having homeowner's insurance (if you own), renter's insurance (if renting), auto insurance (if you drive your own car), and an umbrella policy, that can shield you from a lot of overall damage.

MISTAKE NO 7

Not Complying with Existing Tax-Laws

Anybody lucky enough to actively straddle two lands (U.S. plus another) might have the added burden of having to deal with the tax laws that come from having assets in another country. The following posts detail some of the issues.

- The US taxes citizens and permanent residents on worldwide income. This means that any assets outside the U.S. that generate some type of income for you, need to be a part of your income taxes.

    There are strategies to mitigate this as detailed in the above paper, but the first thing is to understand if and how this affects you.

- Requirements for filing the FBAR form. Any citizen or resident whose accounts overseas exceeds $10,000 at any point in the year is required to file this form. The post answers a lot of the questions, I’ve seen over the years on the same issue.

MISTAKE NO 8

Not Taking Care of Your Legal Affairs

This means having a plan for what will happen to your assets when you die or become incapacitated.

Basically, get your will and an estate plan in place. Get named beneficiaries in place for your accounts and other assets.

If you have young kids, it's even more critical to have this clearly laid out.

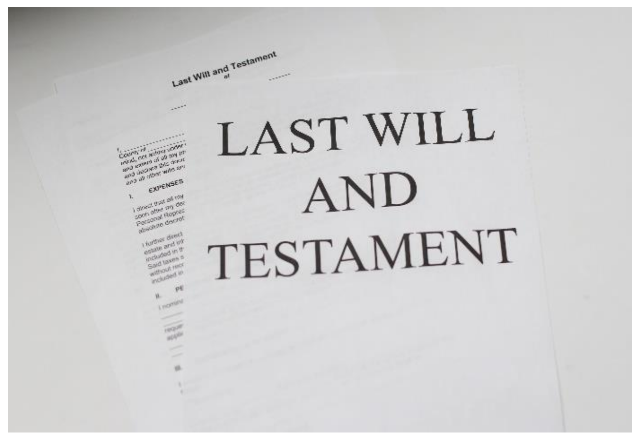


Photo by [Melinda Gimpel]() on [Unsplash]()

If you have strong ties to your home country and you've always thought or assumed your family there can take care of your kids, when you are gone, make it official. This is clearly explained [in this post on international guardianships]().

Like life insurance, it's a part of facing your mortality and some folks are not very comfortable with that. Think of this as putting yourself in control of your life's affairs even when you are gone.

It's as an act of love for your family wherever they are.

MISTAKE NO 9

Not Using Professional Services

The three areas that affect immigrants the most in the U.S. are **finances, taxes, and immigration.**

Immigrants are more likely to rely on their fellow countrymen for all kinds of advice.

Over the last 20 years or so, I have seen a lot of creativity in some of this areas.

Photo by [Aaron Burden](#) on [Unsplash](#)

There is a lot of information and advice online, but everybody's situation is **unique and should be treated that way**.

These three areas are too important to be left to just about anybody, especially on **matters that straddle two countries.**

The same care you use in seeking a doctor when sick, should be the same care you take in this other areas of your life. There is a lot of confusion in figuring out who to work with, but it's worth searching for and working with the right professional to avoid making mistakes that may be very hard to undo in the future.

I'm happy to introduce you to some of the folks in my professional network as a starting point if looking for a second opinion.

MISTAKE NO 10

Not Taking Advantage Of all the Country Has to Offer

There is a reason America is referred to as the "**Land of Opportunity**"

It is probably one of the few countries today where an individual can change their family's trajectory in one generation.

Photo by Brett Jordan on Unsplash

I love this list which details the journey of 30 famous Immigrants, they have changed their family's legacies.

Immigrants tend to see opportunities **where others see barriers**, based on different life experiences. Research shows that 25% of all entrepreneurs in the U.S. are immigrants.

This Forbes article goes into some details on why immigrants make great entrepreneurs.

Do not let your situation stop you, consider starting a side hustle, and looking at different ways of creating wealth, keep working hard, and you are likely to be successful. It may not work the first time, but that is okay, just keep going.

A note from Jane

I hope this guide gives you some ideas for getting started on your journey, or a checklist to see if there are areas you need to work on. I have walked the same journey and I know it can be scary and confusing not knowing where to go next. On the other hand, you may have all the above taken care of and you are looking for the next steps on your American dream journey. I am happy to chat anytime, drop me a line at jane@elgonfa.com or schedule a 30-minute free consult.

I am also available for presentations or for groups looking to have this type of conversations. There are multiple ways of getting in touch with me.

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