FINANCIAL PLANNING · SEPTEMBER 2026

When Financial Plans Assume Stability, but Life Doesn’t

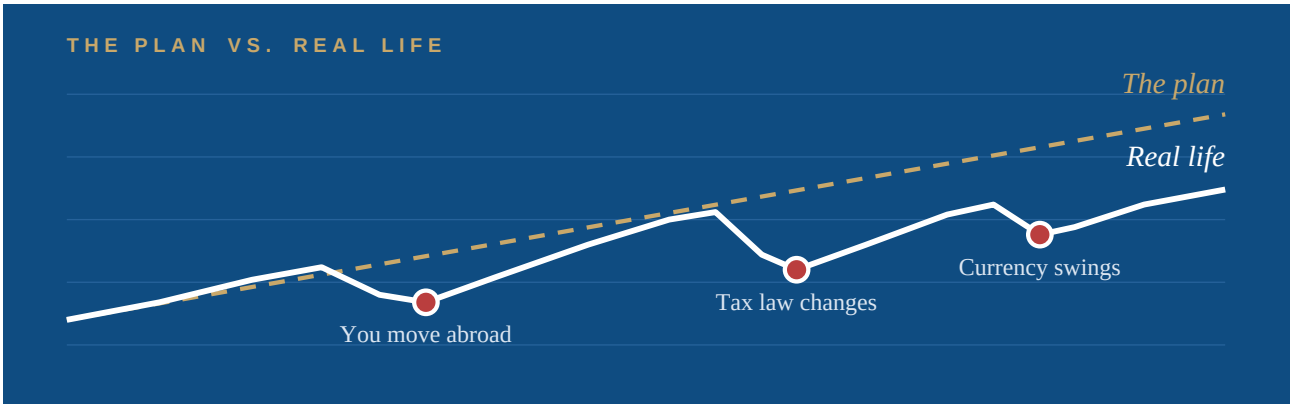
Why a plan built on straight-line assumptions can quietly drift away from the life actually being lived, especially after a move abroad.

AT A GLANCE

2	$15M	$132,900
tax systems under every cross-border plan	US estate basic exclusion per person, 2026	Foreign Earned Income Exclusion, tax year 2026

A financial plan is a set of assumptions about returns, tax rules, income and where a person lives. A move abroad changes several of those assumptions at once, and US law has changed three of them since January 2025. The useful test in 2026 is what the plan assumes, and whether each assumption still holds.

Most financial plans look sensible on the day they are written. Markets deliver a steady average return, tax rules stay as they are, income arrives on schedule, and the household keeps living where it lives now. On a spreadsheet the future is a smooth upward line. Real life moves in bursts. Governments rewrite tax law, families grow and relocate, health changes, and careers end earlier or later than expected. A plan that assumes stability is not wrong on day one. It starts aging the moment life moves.



FOUR US FIGURES AND RULES THAT MOVED BETWEEN JANUARY 2025 AND 2026

What changed	When	The detail	Why it matters abroad
Windfall Elimination Provision and Government Pension Offset repealed	Signed January 5, 2025	The Social Security Fairness Act applies to benefits payable for months after December 2023	The Windfall Elimination Provision had reduced benefits for people with pensions from work not covered by Social Security, which included many foreign pensions
Estate and gift basic exclusion	Law signed July 4, 2025; applies from 2026	$15,000,000 per person for 2026, up from $13,990,000 for 2025	Estate plans drafted around a lower, expiring exclusion now rest on a different number
Foreign Earned Income Exclusion	Tax year 2026	$132,900, up from $130,000 for tax year 2025	The exclusion moves every year, so a plan that fixed one year's figure drifts
Annual exclusion for gifts to a spouse who is not a US citizen	Calendar year 2026	$194,000, against $19,000 for gifts to anyone else	Mixed-nationality couples abroad work with a different limit from couples who are both US citizens

What does a financial plan assume?

Every projection rests on inputs that someone chose. The common ones are a rate of return applied evenly across the years, tax rules frozen at the date of writing, a retirement date, a life expectancy, a single currency, and a single country of residence. None of these is a forecast. Each is a placeholder that makes the arithmetic possible.

The plan ages as the placeholders stop matching the household. The difficulty is that nothing announces the drift. The document still exists, the accounts still exist, and the projection still shows the same smooth line. Only the life underneath it has changed.

What changed for Americans abroad in 2025 and 2026?

Three changes in under two years illustrate the point. On January 5, 2025, the Social Security Fairness Act became law and repealed the Windfall Elimination Provision and the Government Pension Offset. Both had reduced Social Security benefits for people who also received a pension from work not covered by Social Security, a group that included many Americans with foreign pensions. The Social Security Administration states that the law applies to benefits payable for months after December 2023.

On July 4, 2025, Public Law 119-21 was signed. Among its provisions, it set the federal estate and gift basic exclusion amount at $15,000,000 per person for 2026. The IRS confirms that figure for the estates of people who die during 2026, up from $13,990,000 for 2025. Earlier plans had been written around an exclusion that was scheduled to fall sharply at the end of 2025.

For tax year 2026 the IRS also adjusted dozens of thresholds in Revenue Procedure 2025-32. The Foreign Earned Income Exclusion rose to $132,900 from $130,000. The annual exclusion for gifts stayed at $19,000, while the annual exclusion for gifts to a spouse who is not a US citizen rose to $194,000. A plan written even three years ago may now rest on figures that no longer exist.

Why are cross-border plans more exposed?

A US citizen is taxed by the United States on worldwide income wherever that person lives, as IRS Publication 54 sets out. An American resident in Europe is therefore inside two tax systems at once, and either one can change. The ordinary uncertainties of a domestic plan are multiplied rather than replaced.

Currency adds a second layer. Amounts on a US tax return are reported in US dollars, and the IRS publishes yearly average exchange rates for that purpose. A household that spends in euros while its investments are held in dollars sees its real spending power move with the exchange rate even when markets are calm.

Residence is the third layer. How pensions, investment income and an estate are treated can shift when a person moves country, and sometimes when the rules of the new country move around them.

How does succession differ on each side of the Atlantic?

The United States taxes the estate of the person who dies. The federal estate tax is calculated on the estate as a whole, with the basic exclusion amount applied before any tax is due. Several European countries work the other way round. In Spain, the tax agency describes the heir, the legatee or the life insurance beneficiary as the person liable for Inheritance and Gift Tax.

Tax is only part of it. The European Union's guidance on cross-border inheritance explains that the national law applicable to a succession decides who the beneficiaries are, whether a family member can be disinherited, and whether parts of the estate are reserved for certain people such as children. A plan that considers one side of the Atlantic can leave a family facing outcomes nobody intended.

What does a plan that expects change look like?

Nobody predicts the future precisely. Plans that hold up tend to be built to bend rather than break, and four features recur in them.

- **Stress-tested, not only projected** — the plan has been run against a poor sequence of returns, a weaker dollar against the euro, and one spouse needing care earlier than expected
- **Flexible** — adequate liquidity, income sources that do not all depend on the same market, and structures that still work after a change of country
- **Reviewed on a schedule rather than on a scare** — once a year, and after every major change in life or in law
- **Coordinated across borders** — US tax, local tax, investments and insurance interact, and gaps appear where each is decided in isolation

Which life events commonly outdate a plan?

The events are ordinary ones: a move to another country, a change of job, retirement, an inheritance, marriage, divorce, the birth of a child, or a change in health. For Americans abroad, the list now includes the run of US rule changes since January 2025. A plan last reviewed before those dates was written against different numbers.

The question worth asking

The most useful question is rarely whether a plan is good. It is what the plan is assuming, and whether that is still true. Each assumption can be listed, dated and checked against the household as it is today and the rules as they stand in 2026.

The most useful question is rarely "is my plan good?" It is "what is my plan assuming, and is that still true?"

A COMPLIMENTARY INTRODUCTORY CONVERSATION

Has your situation moved since your plan was written?

Send us a message and we will follow up with sensible next steps. No obligation.

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SOURCES

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