

Banking & Investing in Europe as an American: What You Need to Know

Admin User · December 12, 2025

Discover how Americans living in Europe can navigate restrictions on U.S. mutual funds and ETFs, explore alternative investment options and find U.S.-licensed custodians in your new country.

By Robert Levitt

Americans are heading to Europe in large numbers, not just to visit. More and more Americans are deciding to pull up their stakes and relocate to Europe. It may seem simple enough, but Europe has very different ways of doing things, particularly regarding money and investing. In addition, the United States retains taxation rights over its citizens, so it is a complicated relationship.

One of the most important aspects of moving abroad is understanding that once a person becomes a European resident, they fall under European law and pay their taxes in Europe. But don't be fooled: Just because someone is living in Europe, they are still responsible for paying U.S. taxes because the U.S. practices citizenship-based taxation. This means the U.S. retains the right to tax anyone worldwide because they are a U.S. citizen. In fact, it is only like this in the U.S. Every other country practices residential-based taxation, meaning the person is taxed if they live in that country.

The sad reality is that it can be very confusing for Americans who are seeking to understand how they can meet all of the rules and regulations between the U.S. and Europe. Here are a few of the complexities that an American might face when headed "across the pond."

Banking Relationships Can be Perilous

U.S. banks aren't used to complying with European regulations, particularly with

something called GPDR (General Data Protection Regulation). This is a European Union (EU) rule governing how the personal data of individuals in the EU may be processed and transferred. A person becomes a European bank client because they live in Europe. While a U.S. bank could have European clients, they mostly choose not to because of the expenses involved in complying with a whole continent's set of rules.

Bottom line, if someone moves to Europe, the U.S. bank may very well close their bank account. Even if this happens, it isn't the end of the world. There are several credit unions that have primarily overseas clients, such as the State Department Federal Credit Union, so they have to comply with European laws and regulations and will open an account for U.S. citizens.

Investments Get Complicated

It is even more complicated for investments. Americans are very comfortable with mutual funds and exchange traded funds (ETFs). But once an American has moved to Europe, those investments aren't possible, at least not in a taxable account.

U.S. mutual funds are meant for distribution only in the U.S., so due to all the challenges the mutual fund companies face when having a European resident as a shareholder, they simply don't want them. European mutual funds fall under a category of investments that the IRS considers a potential tax dodge, so these investments are taxed via Passive Foreign Investment Corporations (PFICs) at rates that begin at 37% and can go all the way up to 75%.

U.S. ETFs face other challenges. In Europe, regulations require that funds disclose three things in three pages to their shareholders. The first is the investment and what it consists of. The second, the risks of the investment. And three, the potential return. It is this final point that is the problem. The Securities and Exchange Commission (SEC) regulates U.S. ETFs and they won't allow an ETF fund to project future returns. Therefore, U.S. ETFs can't easily be sold to Europeans, and European ETFs fall under the IRS definition of a PFIC – the pitfall noted in the paragraph above.

Keeping in mind that a taxable account can't hold ETFs or mutual funds, consider this: One thing that account can hold is individual stocks. For most countries, Americans can buy individual companies located throughout the world. It is a bit more complicated than it is when done in the U.S., but it can be accomplished. If the investor loves to invest in indexes, today there are more and more companies that can help curate a much smaller number of stocks to get very close to the result of the preferred index. It may not be as easy as buying the S&P 500 and forgetting about it, but it doesn't have to be overwhelming either.

The primary takeaway, though, is that investing and managing a portfolio isn't necessarily hard to do if you know the rules and adopt another way of thinking.

Custodians Must Serve the Resident Country

Not just the investment strategies change, but the custodians do as well. Some of America's favorite custodians, like Vanguard, Schwab and Fidelity, aren't licensed for many European countries. Therefore, if an American moves to Europe, they will need to find a custodian who is in the same country. And they probably don't want to use a European custodian, even if the custodian would take a U.S. citizen, because in Europe they don't provide the requisite tax information, like a 1099 or realized capital gain and loss report.

In most cases, the best idea is to find a U.S. custodian licensed in the country to which the person is moving and provide the custodian an actual physical address. That way, all the rules and regulations will be met and the investor will be getting all of the tax reporting that they are used to getting.

Tax Treaties Vary Widely

Another hurdle to consider is how to handle taxes on investments. Every country has a different tax treaty with the U.S., and each country has its rates and rules. In France, for example, a U.S. citizen pays taxes on U.S.-sourced income in the U.S. If they own Apple stock, a U.S. company, the investor will pay U.S. taxes, not French taxes. Conversely, if the investor buys a Mexican company's stock, even if held in a U.S. custodian, the tax is due to France. But this is just one example. In Denmark, all taxes are due. But the Danish tax authorities will tax the investor 42% on capital gains. To make it more complicated, the tax is applied not on realized gains and losses, which Americans are used to, but on unrealized gains.

Each country has a different set of rules, so a different investment strategy is needed based on primary residency. In a nutshell, a U.S. citizen must look at things completely differently than every other nationality, because U.S. citizens are taxed on their citizenship, whereas every other country taxes on residency. It doesn't help to ask at the local bank or even a local neighbor for financial advice. American citizens in Europe are a unique specimen! The most important thing to remember is not the level of taxes, but the after-tax, after-fee return that can be obtained, adjusted, of course, for personal risk tolerance.

Challenge Accepted

As this article explains, there is an answer for each challenge, but depending on the adopted country, different solutions may be required to achieve a good outcome. Anyone who is not comfortable navigating all the complexities themselves, should consider hiring a cross-border adviser, licensed in Europe, to help.

About the author: Robert Levitt

Robert Levitt, CFA®, is founder and chief investment officer of Levitt Capital Management (<https://levittcapital.fr/>). Levitt Capital Management is a wealth management firm specializing in providing tailored financial solutions for Americans residing in Europe, especially those living in France. With a focus on personalized service and in-depth knowledge of international financial landscapes, Levitt Capital Management assists clients in achieving their financial goals while ensuring compliance with both U.S. and local regulations. Mr. Levitt has been profiled in The Wall Street Journal, The New York Times, CNBC, Bloomberg, Fortune, Time Magazine and more. For more information about Levitt Capital Management and their services subscribe to their newsletter at <https://levittcapital.fr/contact-us/>.
