

GROUNDING

The Exit Is Closing. Most Families Don't Know It Yet.

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Most families who have built significant wealth operate on a quiet assumption: that the option to leave is always available, and that when the time comes, the path will be clear. In 2026, that assumption is being tested by three mechanisms that rarely get discussed together, and each of them does the same thing. They close the exit before you decide to use it.

A state-level wealth tax with a retroactive clause captured residents before they knew the deadline existed. A federal statute gives the IRS authority to revoke your passport over a tax balance most families do not realize is within reach. And the jurisdiction that was the default answer for a decade revealed, in a matter of weeks, that a single address is not a strategy. Beneath all three of these sits a fourth reality that almost no one is saying clearly: for US citizens, the passport itself travels with the problem.

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Governments throughout history have always found ways to prevent capital from leaving when they need it most. That is not cynicism. That is the historical record.

Jim Rogers, Investor and Author, Co-founder of the Quantum Fund with George Soros

The California Trap Nobody Saw Coming

California's proposed Billionaire Tax Act would impose a one-time 5 percent levy on the total assets of any California resident worth more than one billion dollars. Not income. Total assets: real estate, business

interests, investment accounts, everything measured against what you own, not what you earned.

What makes it a trap is the retroactive clause. The measure applies to anyone who was a California resident as of January 1, 2026. A resident with twenty billion dollars in assets on that date would owe a one-time bill of one billion dollars, payable over five years (Tax Foundation, 2026). If you were there on that date, you are potentially liable regardless of where you now live or when you departed.

The families who acted early kept their options. Larry Page and Sergey Brin relocated before the cutoff. Steven Spielberg established New York residency on New Year's Day. Peter Thiel was already in Miami. The ones who assumed they had more time are now managing a tax bill they cannot avoid without a legal fight that may take years to resolve. A retroactive wealth tax does not offer a grace period. It selects a date, freezes your position, and holds you there regardless of what you do next.

The Federal Authority Most Advisors Never Mention

Under the Fixing America's Surface Transportation Act, passed in 2015, the IRS has authority to certify any taxpayer carrying more than sixty-six thousand dollars in seriously delinquent federal tax debt to the U.S. Department of State. The State Department then revokes the passport, denies renewal, or restricts travel to emergency use only. No court order is required. No advance notice is given. The first indication most people receive is a letter that arrives after the action has already been taken (Greenback Tax Services, 2026).

Sixty-six thousand dollars is a threshold most HNWI families assume would not apply to them. The opposite tends to be true. Families with complex structures frequently carry ongoing tax disputes, deferred liabilities, or positions under active IRS review. The dollar amount is lower than expected, and the mechanism moves without signaling its intentions. The IRS certifies. The State Department acts. The taxpayer finds out when attempting to renew a passport or board an international flight.

When the Destination Itself Becomes the Risk

For years, the UAE was the default answer for families seeking a tax-neutral jurisdiction with strong infrastructure and straightforward residency. Dubai alone attracted an estimated 9,800 millionaires in 2025, more than any other city in the world, drawing wealth from the UK after its non-dom regime ended, from India, from China, and increasingly from the United States.

That calculus shifted in early 2026. When U.S. and Israeli forces launched operations against Iran in late February, Dubai found itself approximately 150 miles from an active conflict zone. CNBC reported in March 2026 that wealthy residents were scrambling to depart, with some offloading real estate at discounts

of 10 to 15 percent below market and golden visa holders evacuating entirely. Cayman Compass summarized it plainly: the Iran war halted Dubai's rise (CNBC, 2026; Cayman Compass, 2026). The jurisdiction that was the answer demonstrated the lesson directly: a single address held together by proximity to a conflict zone is not a strategy. It is a position.

The Passport Travels With You

This is the part most advisors do not say clearly, and it is the part that changes the entire calculation for US citizens. Establishing residency in a second jurisdiction solves the geography. It does not solve the citizenship. And for Americans, the citizenship is itself a financial chokepoint that follows you to every country you enter.

The United States and Eritrea are the only two countries on earth that tax citizens on worldwide income regardless of where they live. A US citizen who establishes legal residency in Portugal, Singapore, or the UAE still owes the IRS taxes on income earned in those countries. The passport travels with the tax obligation. Relocating does not change that.

The Foreign Account Tax Compliance Act, enacted in 2010, requires foreign financial institutions to report on US persons or face a 30 percent withholding penalty on US-source payments. The practical consequence, documented across hundreds of institutions, is that foreign banks now routinely decline to open accounts for American clients. The family that establishes residency in a new jurisdiction then discovers they cannot build a meaningful banking relationship there because of what they are, not what they owe (IRS, 2024).

If a family decides the only real solution is to exit the US tax system through renunciation, Section 877A of the tax code treats every unrealized gain as sold the day before the renunciation date. On a portfolio with significant appreciation, this is a tax event of considerable size before the exit is even complete. And at several US consulates, appointment wait times for renunciation are currently running twelve to twenty-four months. The exit from the system has its own exit tax and its own queue.

The strategic assessment is straightforward: a US citizen who believes that second residency resolves their mobility and financial exposure is right about the geography and wrong about the citizenship. Addressing one without structuring for the other is not a complete plan.

What the Structure Actually Looks Like -- and When It Has to Be Built

The consistent failure pattern across every documented relocation case is the same. Families began the process after the signal was visible. By that point, the conditions that made the move logical had already

made the move harder. Henley and Partners, in their 2026 Private Wealth Migration Report, documented that families with the most effective transitions shared one structural feature: legal residency, banking access, and property rights in a second jurisdiction established before any specific crisis gave them a reason to. What remained when the event occurred was a choice, not a scramble (Henley and Partners, 2026).

The triggers that drive families to act -- a war, a tax change, a market freeze, a shortage that becomes a political crisis -- are exactly the conditions that close ports of entry, raise property prices in stable markets, extend citizenship processing timelines, and activate capital controls that prevent funds from moving. The safe haven has to be built in the quiet period. It cannot be built in the crisis.

A properly pre-positioned structure typically includes five elements: legal residency established through documented physical presence, not a paper filing alone; an active banking relationship in the second jurisdiction, opened and used before it is needed; a property right -- owned or on a long-term lease -- that demonstrates genuine ties to the jurisdiction; IRS compliance reviewed and any outstanding disputes resolved below the sixty-six thousand dollar certification threshold; and a citizenship-structure assessment that addresses FATCA exposure and the worldwide-income obligation that residency alone does not eliminate. Each of these takes time. None of them can be completed in the thirty to ninety days that historically separate a visible signal from a closed exit.

Key Takeaways

- California's wealth tax retroactively captured residents as of January 1, 2026. The only defense was timing.
- The IRS can revoke your passport over \$66K in delinquent debt -- no court order, no advance notice.
- Complex family structures routinely carry liabilities that cross this threshold without the family knowing.
- Dubai attracted record wealth inflows in 2025 and saw significant departures within weeks of the Iran conflict.
- US citizens owe IRS taxes on worldwide income regardless of where they live. Residency does not change that.
- FATCA causes foreign banks to routinely decline US persons. Establishing banking access takes time and presence.
- The safe haven must be built before the crisis. The crisis closes the very conditions that make building possible.

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