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"No thanks" —these are the worst assets to pass down to your kids



Each generation has different tastes and values when it comes to possessions. And nowhere is this difference more apparent than when it comes time to pass them along. It can be a shock to downsizing parents when they learn that none of their children want grandma's big, formal dining table and chairs.

It may be that the next generation doesn't decorate with large oak pieces, or they simply don't have any place to put it. Either way, it's difficult for the older generation to see a treasured heirloom sold on Craigslist or sent to the thrift store.

The Christian Science Monitor reports that an entire industry has grown up around helping seniors downsize, and a big component is dealing with the logistics and emotions of letting things go.¹

They write, "When a pile of possessions has come to embody a sense of identity—or even what someone could become—it's not always easy to figure out what should stay and what should go."

But there are also bigger assets that the next generation might not want to inherit.

Kiplinger's identifies what they believe to be "5 of the Worst." In each case the item may have considerable value in the owner's eyes. But it can also come with headaches for the person it's being passed along to.²

Timeshares - This is essentially a long-term contract where you agree to rent out a vacation property. If the timeshare passes along to your heirs, they may be on the hook for ongoing and ever-increasing contract costs—even if they don't want it.

Potentially Valuable Collections - While rare coins or antique musical instruments can be a delight for the collector, they can be difficult for heirs to value, properly insure, and maintain.

Guns - Many states have regulations preventing you from simply passing along firearms without a permit. Another concern is giving guns to heirs who may not be aware of how to store them safely.

Vacation Properties - These can be a potential financial and emotional landmine, especially if you're leaving one to multiple family members.

Any Physical Property (Especially with Sentimental Value) - Jewelry is a common example of this. It's difficult to value accurately (usually worth less than the owner thinks), making it difficult to divide fairly.

The biggest takeaway from all of this is to communicate with your heirs well before you'll be passing things along to them. It may be best for you to plan to sell certain assets and pass along their value that way.

But in any case, keep your heirs in mind as you organize your house. As you do, be open to the idea that leaving them with truckloads of items to deal with isn't really the best outcome for them once you're gone.

If you need help in this area, your advisor is happy to share strategies for streamlining your inheritance and making sure your valuable assets are passed along amicably.

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FOUNDERS MESSAGE

April 2022

Hello Friends of Bott & Associates, Ltd.! Happy Spring to you! Hope you and your family are doing well. We have had many changes since the last newsletter. In December, Tana Saletta retired. We then were lucky enough to have a returning team member, Gina Gillie, join us. As some of you may know, she was our first team member at the start of our firm in 2007. She had to step away for a few years, but we are thrilled to have her back as a Paralegal. Then in March our newest team member, Renee von Almen, joined us, and we are excited to see her grow in her role.

In April, we are moving our office down the hall. Our Suite number, 712, remains the same, but we will have a bigger and more comfortable office space. We will have an Open House event later this year.

On the personal side, my family is doing well. Zach, our eldest, just turned 21, and is a Junior at Mizzou, majoring in Journalism. Our middle guy, Nathaniel, is 16, a Junior in High School, and thinking about his college options. And our baby, Jocelyn, is 13 and enjoying her middle school friends and their active social life.

Despite the tumultuous world we are currently living in, I am grateful every day for my health, my family, my team, and my clients. Thanks for enriching my life. We hope we provide some peace to you and your family.

Maritess



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Just When You Thought You Understood the 10-Year Rule, Think Again

As many of us remember, the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") sent shockwaves through the Estate Planning community with its significant changes to the rules regarding distributions from Individual Retirement Accounts ("IRAs"). To recap, the SECURE Act repealed the maximum age at which a taxpayer could contribute to their IRA, increased the age at which the taxpayer needs to begin withdrawing funds from the IRA, and eliminated the lifetime stretch benefit for any beneficiary other than the newly created category of beneficiary called the Eligible Designated Beneficiary ("EDB"). EDBs consist of surviving spouses, children who have not yet reached the age of majority, chronically ill or disabled individuals, and any other individual not more than ten years younger than the participant, or appropriately structured trusts for the benefit of those individuals. Any beneficiary other than an EDB was subject to the newly created 10-year rule. The 10-year rule would operate like the 5-year rule that existed prior to the SECURE Act. This meant that the non-EDB need not worry about RMDs and only needed to withdraw all funds by December 31st of the year of the tenth anniversary of the participant's death. Sounds simple and easy enough to understand and implement, right? Not so fast...

The ink was barely dry on the SECURE Act when the Internal Revenue Service ("IRS") took a position that changed the perceived operation of the 10-year rule. In the 2020 updated version of Publication 590-B, the IRS included an example that required a beneficiary subject to the 10-year rule to take annual withdrawals for nine years and then exhaust the IRA fully by December 31st of the year of the tenth anniversary of the participant's death. This pronouncement meant that the 10-year rule operated completely unlike the 5-year rule. Even though Estate Planning professionals and taxpayers cannot rely upon Publication 590-B as "official IRS guidance," the inclusion of this example understandably caused concern. Shortly thereafter, the IRS corrected Publication 590-B by removing that example and confirming that no withdrawals were necessary prior to December 31st of the year of the tenth anniversary of the participant's death. Considering the proposed Treasury Regulations issued last week, that earlier "mistake" may have been foreshadowing at its finest.



On February 23, the United States Treasury released much-anticipated proposed regulations updating, among other things, the rules regarding RMDs from IRAs. These proposed regulations backtrack on some of the guidance published since the passage of the SECURE Act in 2019. The proposed regulations revert a bit to the incorrect example previously espoused in Publication 590-B and take a nuanced approach to distributions under the 10-year rule. Now, any non-EDB needs to take annual distributions based upon the participant's life expectancy over the next nine years and exhaust the IRA by December 31st of the year of the 10th anniversary of the participant's death if the participant reached their Required Beginning Date prior to death. This represents a sharp departure from the operation of the 10-year rule and the advice that most professionals have given their clients since the passage of the SECURE Act in 2019.



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Instead of simplifying the IRA Rules, this explanation of the 10-year rule adds another layer of complexity to an already confusing area of the law. Earlier this year, the IRS updated the life expectancy tables which requires recalculation of RMDs for anyone taking distributions from an IRA subject to their life expectancy. Prior to these proposed regulations, only participants, EDBs, and designated beneficiaries who inherited IRAs prior to the SECURE Act used the lifetime stretch. Now, by extension, the tables will apply for non-EDBs who will take under the deceased participant's life expectancy as well. These changes will undoubtedly confuse many taxpayers and many of their advisors. You can best protect yourself from unintended consequences by consulting a qualified Estate Planning attorney about the impact that these proposed regulations will have on your IRA and your obligation to take RMDs.



While these Treasury Regulations are only proposed regulations, Estate Planning practitioners and clients have good reason to be concerned. This area continues to grow in complexity with changed positions and conflicting guidance. Beginning in 2022, any non-EDB subject to the 10-year rule needs to take annual distributions. This author suspects that we have more to learn on this topic and recommends that the brave read the 275 pages of these Treasury Regulations at <https://aboutbtax.com/1Ml>. This article focuses solely on the most drastic change contained in the proposed regulations, although plenty of other changes were made as well. The final Treasury Regulations may revert the 10-year rule to its prior version that existed from 2019 through 2021, and many commentators believe that these regulations improperly interpret provisions of the Internal Revenue Code that set forth the 10-year rule. Until we have final regulations, taxpayers have three options: follow the temporary regulations, file a Form 8275-R noting the contrary position to the regulations, or initiate a lawsuit. Just, file a Form 8275-R noting the contrary position to the regulations, or initiate a lawsuit. Stay tuned for additional changes and updates, but in the meantime, follow one of the three options noted herein.

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You can best protect yourself from unintended consequences by consulting a qualified Estate Planning attorney

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BOTT & ASSOCIATES, LTD.

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3701 W Algonquin Rd #712 Rolling Meadows, IL 60008

New: (847) 261-8886

Exisiting: (847) 818-9084

info@bottestateplanning.com



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GET TO KNOW OUR DEDICATED TEAM

WHAT'S IN THIS MONTH'S ISSUE:

- Get to know our team
- Founders Message
- Upcoming Events
- And More!

Maritess T. Bott Attorney

Maritess has been practicing law for over 20 years. She started her career at two boutique law firms in downtown Chicago that specialized in estate and business planning for high-net-worth individuals and families. She is a member of the American Academy of Estate Planning Attorneys.



FUN FACT: Maritess and her husband were accidental “paparazzi” photographers during their honeymoon in Tahiti, and were paid \$1700 by two tabloid magazines for a photo of a “hot” celebrity couple.



GET TO KNOW OUR TEAM



TAMAIRA SUWANSKI

Financial Coordinator/ Paralegal

Tami joins us after 15 plus years in the banking industry, specifically a wealth management role. Tami's experience has created a passion for ensuring that our clients are educated and well versed on wealth protection and helping direct them in a manner that is customized to their personal wishes.

FunFact: While visiting Mexico she had the opportunity to explore a cenote, which is a natural sink hole filled with freshwater where the ceiling of a cave has collapsed.

CINDY VALLERA

Legal Assistant/Marketing Coordinator

Cindy joins us after a 35 year career with a major airline where she held administrative and management positions in Labor Relations, Corporate Legal, Finance and Inflight Service. Cindy's expertise in administration and process management is helping us create a streamlined, efficient office experience for our clients.

FunFact: If her face looks familiar, it's probably because her picture was on expressway billboards, at train stations and Woodfield Mall promoting a local hospital.



EUGENIA GILLIE

Paralegal

Eugenia L. Gillie (Gina) joins us after 10 plus years as an experienced Paralegal working in law firms with a focus in Corporate and Estate Planning. Driven by her love for the law and helping others, she takes pride in providing the best service possible to clients. Gina is a member in good standing of the Illinois Paralegal Association.

FunFact: When she was 16, she entered a talent show with a friend and sang Endless Love. They won first place and Gina's father reminds her of that at least every week!





GET TO KNOW OUR TEAM



RENEE VON ALMEN

Final Signing Paralegal/Legal Assistant

Renee joins Bott & Associates after 23 years in financial services and 2 years working in a firm that specializes in estate planning and elder law. She has decades of experience helping plan, achieve, and protect the financial goals of individuals, families, and businesses.

FunFact: In addition to the family dog, Renee has parakeets, cockatiels and a parrotlet.

DANIEL VASKO

Funding & Estate Settlement Coordinator

In addition to managing trusts, Daniel has been funding and settling trusts for estate planning attorneys for the last ten years. He is also a member of the Independent Trustee Alliance (ITA) and subject to its code of ethics for independent trustees.

FunFact: Dan has a twin brother named Joseph



MARYGRACE GOLDEN

Marketing Intern

Marygrace is a senior at Loyola University Chicago. She is majoring in Advertising and Public relations. She has been working with Bott & Associates, Ltd. since December 2021.

FunFact: Marygrace runs Track & Field for Loyola Chicago.

Upcoming Events

Webinar Dates:

5/19

7/21

9/15

11/10



AT OUR FREE WEBINARS,
ATTORNEY MARITESS BOTT
WILL GO OVER IMPORTANT
ISSUES LIKE:

- The failures of traditional and incomplete Estate Plans.
- The advantages of comprehensive Will and Living Trust plans.
- How to protect your children's inheritance from future ex-spouses, potential lawsuits, and other claims.
- And much more!

Exclusive for Clients

8 Critical Mistakes

At this FREE client workshop, we'll discuss the important pitfalls we see in many clients' estate planning.

Dates: 5/26 & 11/17

Trustee School

Your loved one has passed, but what comes next? What does a trustee really do? It can be overwhelming but we are here to help.

Dates: 8/18