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Inside

CREATE YOUR OWN ODYSSEY

Mythical Adventures Await in the Mediterranean

One of the oldest stories in Western literature is Homer's "The Odyssey." This epic poem tells the story of Odysseus and his long journey home after the Trojan War. While Odysseus' travels were fraught with mythical monsters and magic, many of the places he visited are said to be inspired by real islands in the Mediterranean. Even today, travelers flock to these islands looking for peace, adventure, and epic stories of their own.

Sicily, Italy

One of the most popular stories in "The Odyssey" is the tale of Odysseus rescuing his crew from Polyphemus, a man-eating Cyclops. It's said that Polyphemus made his home on what is now modern-day Sicily. Fortunately, there are no Cyclopes in Sicily today; there are only cultural festivals, world-class golf courses, and delicious food.

Gozo, Malta

While Odysseus' journey was perilous, he did enjoy one peaceful stop. Odysseus spent seven years on the mythical island of Ogygia, home of the nymph Calypso. Historians suspect that Ogygia was Gaudos, now modern-day Gozo, Malta. Gozo is home to the Ġgantija temples, which are older than the Egyptian pyramids. In addition to exploring its archaeological marvels, Gozo's visitors can also enjoy snorkeling, horseback riding, and other memorable adventures.

Ithaca, Greece

If you want to chart your own odyssey, make your final stop Odysseus' home, the island of Ithaca. Covered in lush greenery and quaint villages, Ithaca is a wonderful place to relax at the end of your trip. Visitors can enjoy their morning coffee by a seaside cafe before lounging on a secluded beach for the rest of the day. It's no wonder why Odysseus fought so hard to get back to Ithaca!

With dozens of other islands to explore, the Mediterranean is the perfect place to plan your own odyssey — minus the mythical monsters, of course.

Published by The Newsletter Pro www.TheNewsletterPro.com

FEBRUARY 2020
Piece Of Mind

In order for you to have peace of mind, we are giving you our piece of mind.

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Fun and Games

With the County Assessor's Office

In the movie "Groundhog Day," actor Bill Murray relives the day the groundhog comes out to see his shadow in Punxsutawney, Pennsylvania, over and over again. While helping our clients' estate plans come to fruition, we often encounter a similar "Groundhog Day" experience. This conundrum doesn't stem from the way the estate plan was crafted, nor is it the fault of the client or the client's beneficiaries. Yet, you can set your watch to its appearance. That's because the culprit behind this estate planning "Groundhog Day" is none other than the county assessor's office, and it's all tied to a simple pair of documents that need to be filed when someone passes away.

When someone passes away while owning real estate that will be transferred to their child or, in some instances, their grandchild, two forms need to be filed with the county assessor's office in the county where the real estate is located. The first form is known as "Change in Ownership Statement" (Death of Real Property Owner), and it must be filed with the county assessor's office for each parcel of real estate, and by law, it needs to be filed within 150 days following the death of the real estate owner. Among other things, this form advises the assessor of the names and relationships of the person or persons entitled to receive the real estate pursuant to the decedent's estate plan.

The second form that needs to be filed with the assessor's office when the person or persons receiving the real estate is a child is known as "Claim for Reassessment Exclusion for Transfer Between Parent and Child." A similar claim form exists if a grandchild (or grandchildren) is the intended recipient. The purpose of this form is to avoid property tax reassessment when a child or grandchild is the beneficiary. California law requires it be filed with the assessor's office within three years of the owner's death or before the real estate is sold — whichever occurs first.

Although these two forms are filed with the assessor's office, they may need to be filed with specific sections of the agency. For example, in San Diego County, the "Change in Ownership Statement" is filed with the title department at the assessor's office. The "Claim for Reassessment Exclusion" is filed with the parent-child department at the assessor's office. Other county assessors have similar arrangements even though the departments may be known by different names.

Here is how the "Groundhog Day" moment occurs. When the title department receives a "Change in Ownership Statement" that reveals the real estate in question will be distributed to a child or grandchild of the decedent, they automatically mail out a claim form to the trustee who signed the "Change in Ownership Statement" even if a claim form has already been filed with the assessor. It is as though the left hand does not know what the right hand is doing. Worse still, the claim form mailed out to the trustee typically includes an admonition that it must be completed and returned to the assessor within 15 days! Of course, this is at odds with California law, which provides three years from the date of death to file a claim form.

It's easy to understand why a client receiving such a claim form is both confused and stressed. Suddenly, they're receiving something they already signed coupled with a notice that they have just over two weeks to do the whole thing over again or face property tax reassessment. Naturally, the client, who is understandably confused, contacts our office immediately. Because this happens over and over again, we know the exact form they received, but to make sure, we still ask that they send us a copy. Upon receiving that copy, we call the parent-child department at the assessor's office to determine whether the claim form needs to be filed again. In virtually every instance, they confirm that the assessor's office has all of the documentation needed to process the claim and that no further action is required. In fact, this series of events is so common that our office has one employee, Shalayne Evans, who repeatedly interacts with various assessor's offices around the state on this very problem.

If you receive real property from a parent or grandparent, then it's important to keep a close eye on your mailbox. If you receive any forms from the county assessor's office, please let us know so we can get the matter resolved quickly. More often than not, it's simply a "Groundhog Day" moment, but it's always best to err on the safe side.

—Don Zoellner

Published by The Newsletter Pro www.TheNewsletterPro.com

Preston University The new SECURE Act

With the arrival of each new year comes a set of new laws. This article will discuss two new laws for 2020: one that brings significant changes to retirement accounts and the other that makes a minor change to the federal estate tax exemption. Here's an overview of these alterations and what they may mean for your estate plan.

What is the SECURE Act?

On Dec. 20, 2019, Congress passed the Setting Every Community Up for Retirement Enhancement Act, which is commonly referred to as the SECURE Act. The enactment of this law was somewhat surprising. Earlier in 2019, the House of Representatives passed this legislation overwhelmingly by a 417–3 margin, one of the few bills receiving bipartisan support. However, after passage in the House, the legislation stalled in the Senate, and it appeared there was little chance it would pass in 2019. When the bill was added as a rider to the appropriations bill to keep the government open, the legislation passed handily and became law to the surprise of most individuals.

The SECURE Act makes some significant changes to our current retirement laws, especially in connection with withdrawals required by designated beneficiaries of retirement accounts, effective Jan. 1, 2020. This has caused at least one commentator to suggest that the only thing enhanced by the SECURE Act is the tax revenue collected by the IRS.

What has not changed?

Some rules did not change in the SECURE Act. The first rule that did not change pertains to retirement accounts held by married couples: the spousal rollover. In other words, if you are married with a retirement account naming your spouse as the sole beneficiary, your spouse may elect a spousal rollover just like under the prior law. The spousal rollover allows the spouse to stretch out withdrawals from the rollover retirement account over the spouse's remaining lifetime as set forth in the IRS lifetime expectancy tables. In most instances, this will limit a huge tax hit in any given year.

Secondly, in addition to the surviving spouse, other beneficiaries are allowed to withdraw minimum distributions. Those beneficiaries include disabled individuals, chronically ill individuals, someone who is not more than 10 years younger than the IRA owner (for example, a brother who is two years younger than the IRA owner), and minor children (but not grandchildren). In the case of a minor child, the stretch rules would apply until your child attains the age of majority under state law, or as long as age 26 if the child remains in school per federal law. Once the minor child reaches either of these applicable ages, the new 10-year rule described below becomes applicable.

Finally, the SECURE Act does not apply to retirement account owners who died prior to Jan. 1, 2020. This means that beneficiaries who have already established stretch IRAs pursuant to the prior law can continue to stretch out withdrawals from that retirement account over the remainder of the beneficiary's lifetime. In fact, a nonspouse beneficiary can still establish a stretch IRA pursuant to the prior law if the retirement account owner died on or before Dec. 31, 2019. For example, if the retirement account owner died on Dec. 30, 2019, and the nonspouse beneficiary has not yet established a stretch IRA, that nonspouse beneficiary may establish a stretch IRA account after Jan. 1, 2020.

What has changed?

The SECURE Act has made a number of significant changes that will apply to our clients and the beneficiaries designated by our clients' retirement accounts.

1. Under prior law, a retirement account owner had to begin withdrawing required minimum distributions (RMDs) from their retirement account when the retirement owner reached age 70 1/2. These annual RMD withdrawals would be based upon the life expectancy of the retirement account owner in accordance with the tables established by the IRS. The new SECURE Act postpones the beginning date for withdrawing required minimum distributions until the retirement account owner turns 72. However, if you are already withdrawing your RMDs and have not reached age 72, you must continue to withdraw those RMDs under the prior law. In other words, you cannot stop and begin again at age 72.

In addition, pursuant to the new law, you may continue to contribute to a retirement account until you reach age 72. Those contributions may be wholly or partially deductible on the income tax return of the contributor if the contributor meets certain income requirements.

2. The most sweeping change is the elimination of the stretch IRA benefits for nonspouse beneficiaries. The prior law allowed a nonspouse beneficiary to take minimum distributions over the beneficiary's lifetime to limit the income tax impact. This not only deferred the income tax consequences but also allowed the nonspouse beneficiary to receive a greater amount of funds over decades since the continued growth in the stretch IRA was tax deferred until withdrawn. It also meant that you could postpone much of the income tax impact to an age where you would likely be in a lower income tax bracket. For example, if you are a child in your early 50s when your parent dies, you are likely in your peak earning years and would want to postpone as much additional income as possible until you retire. The stretch IRA was a great planning tool to pass wealth to the next generation and limit the income tax impact of that transfer on the designated beneficiaries. In fact, based upon the old law, upon death, the beneficiary could pass the remaining wealth in the stretch IRA to a new designated beneficiary, further postponing the income tax impact.

The new rule set forth in the SECURE Act does away with the stretch IRA for nonspouse beneficiaries and replaces it with a simple 10-year rule. There are no minimum required distributions during the 10-year period. Instead, the nonspouse beneficiary must withdraw all of the funds held in the retirement account by the end of the 10th year after the death of the person who established the account. The nonspouse beneficiary could leave all of the funds in the retirement account until the end of the 10th year, which might make sense for a nonspouse beneficiary of a Roth IRA. After all, the funds in the Roth IRA continue to grow tax-free as long as it remains in the Roth IRA. However, all the withdrawals from a traditional IRA, of course, are taxed at the beneficiary's income tax rate. If the retirement account is significant, it will likely push the nonspouse beneficiary into an even higher income tax bracket. To minimize this income tax hit, the nonspouse beneficiary will likely want to strategize when to make withdrawals after taking into consideration his or her own personal income each year.

The unfortunate result of the SECURE Act is that it penalizes savers. People sacrificed current access to their funds over the years by placing that money in a tax deferred account for their retirement with the comfort of knowing that it could grow tax deferred and, if the savings were not exhausted, it could benefit their loved ones upon death. Instead, with the SECURE Act, you may want to enjoy your money during your lifetime. Otherwise, taxes will take a much larger portion when you die than under the prior law. We call that revenue enhancement.

Federal Estate Tax Exemption for 2020

The other change for the beginning of 2020 is the increase in the federal estate tax exemption. As you know, a few years ago, the federal estate tax exemption doubled to a base of $11,000,000, subject to annual increase based upon inflation. The exemption is the amount which a decedent may transfer to someone other than a spouse or a recognized charity without paying federal estate tax. For individuals who died in 2019, the federal estate tax exemption was $11,400,000. For individuals who pass away in 2020, the federal estate tax exemption is $11,580,000. Married couples in 2020 may transfer a combined amount of $23,160,000 to children with careful planning. Please remember that the current law will expire on Dec. 31, 2025.

Sudoku

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	3		5		2			
	9	1			3			2
		9		6		4		3
						6	2	9
					9			5
7	1			2		9		
9	8		4	5		2	1	6
	6		9			7		4

Solution on Pg. 4

DATE TRUFFLES

Inspired by The Minimalist Baker

Valentine's Day is all about love … and chocolate. Enjoy these chocolate peanut butter date truffles with your date this Valentine's Day.

Ingredients

- 1 lb medjool dates, pitted (about 1 1/2 cups)
- 1/2 tsp sea salt
- Warm water
- 1/4 cup peanut butter
- 1 cup bittersweet or dark chocolate, chopped
- 1 tbsp coconut oil, melted

Directions

1. Using a food processor, blend dates and sea salt until dough can be formed into a ball. Slowly add enough warm water to mixture to thicken dough.
2. Roll dough into tablespoon-sized balls. Freeze for 20–30 minutes.
3. In microwave, warm 1/4 cup peanut butter for 30 seconds, then drizzle peanut butter on top of balls. Freeze balls for another 20 minutes.
4. Meanwhile, in microwave, warm chocolate with coconut oil until melted. Stir well.
5. Coat balls in chocolate and place on a parchment-lined baking sheet.
6. Top with additional salt and freeze for 30 minutes. Serve at room temperature.