

# LIFE SPANS

THE BRIDGE DIVORCE STRATEGIES NEWSLETTER

INTERESTING INFO YOU CAN READ OVER A SINGLE CUP OF COFFEE!

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### JANE DOE STORY OF THE MONTH

When we met Jane, she had already been divorced for several years. She became a tax client of ours. And we, unfortunately, were there when something hit Jane that had flown, stealthily, under her lawyer's radar.

It went like this. When Jane and her husband divorced, he wanted to keep his car. They had taken out the loan jointly, but at the time of the divorce they agreed that he could have it and make the remaining payments on the loan. Jane's attorney didn't object.

We would have objected. We know what kinds of problems this can create. Sure enough, the now-former husband, unbeknownst to Jane, stopped making payments on that car. Also unbeknownst to Jane, it was probably repossessed. What Jane did learn, however, was that the bank eventually wrote off the bad loan as uncollectible, causing "forgiveness of debt income."

How did Jane learn about this? She found out when she received a form 1099-C from the lender at the end of the year, who had reported the income to the IRS. Presumably, they also issued her ex-husband the same form. The car loan was under both of their names, and neither the lender nor the IRS are bound by any family law agreement.

The bottom line is that Jane was hit with a tax liability for the entire amount: \$20,000 in income—and about \$7,000 in taxes. In the meantime, the ex- didn't report the income, didn't file tax returns, didn't pay his court-ordered child support, didn't continue to have a relationship with his daughters, didn't do much of anything.

We've reached out to the IRS and explained the situation to them, but the reality is that Jane is on the hook. The lesson here is that a divorce decree doesn't trump contract or tax law—and while all had seemed fine to Jane and her attorney at the time of the divorce, we would have intervened, helping Jane, and making her attorney look more prescient, too.

### FINANCIAL TIP OF THE MONTH

Many women staring down the prospect of divorce are unaccustomed to making major financial decisions—leaving them precariously under-prepared for the future. Fortunately, that's a trend that's on the decline, as more and more women take greater interest in, and responsibility for, their financial futures. That's one of the reasons we enjoy working with women: We love educating them and empowering them to take over these new responsibilities. Many of them need a great deal of hand-holding—which takes up your time but is a strength of ours.

We truly believe that it takes someone who is an expert in both taxes and financial planning as well as divorce planning to provide the kind of assistance that these women need. Take child-related tax issues, for example. These can be tricky. Although there are no longer dependency exemptions, there are a host of other child-related tax decisions to be made at the time of divorce, such as qualified child for filing-status, the child tax credit, the child and dependent care credit, the earned income credit, and education credits. A 50/50 parenting time arrangement can derail good tax planning. But being strategic can reduce Uncle Sam's cut and both parents come out ahead.

### THERE REALLY IS A FREE LUNCH

We would like to bring a nice, tasty lunch to your office! It gets better: We'd like to teach you things about the financial side of divorce that fly under your radar—and help you earn up to three hours of CLE credit in the process!

Simply give us a call at (480) 378-2383 (or send an email to [carma.hall@bridgefinancialstrategies.com](mailto:carma.hall@bridgefinancialstrategies.com)) and say, "Hey! We'd love to take you up on that lunch-and-learn opportunity!" There's no obligation. Call us today!

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