LIFE SPANS

THE BRIDGE DIVORCE STRATEGIES NEWSLETTER

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

JANE DOE STORY OF THE MONTH

Jane and her husband had been together for 20 years when the marriage fell apart. They had five children together, and he had two other children from a prior marriage.

Three of the kids were still living at home, and one had special needs for a medical condition. So while Jane and her husband had built a successful business together over the years, she now spent much more time at home to take care of the special-needs child.

Here's where it gets interesting. Jane's husband is somewhat of a narcissist, so when he and his attorney handed Jane a proposed settlement, it wasn't just a matter of untangling the numbers, but also deftly navigating the shoals of his ego, in order to win an equitable arrangement for Jane.

The husband proposed to buy out a portion of Jane's interest in the business... and use these payments as spousal maintenance at the same time! Not to mention that he wanted to end up with 75 percent of the business, and Jane with 25. Factoring in the tax implications—and there were many—at the end of the day, he'd end up with 80 percent of the business income, while Jane would get just 20 percent.

We helped Jane and her attorney to craft a counter-proposal, which (among other things) took into account the tax on the various parts of the settlement, and no longer allowed the husband to "double-dip" the spousal maintenance as a property settlement. Most importantly, the way we presented it allowed for it to pass muster: "This is a great proposal," we said, "we just wanted to move some numbers around." Thus, we were able to present it to the husband as if it were his own idea. Blinded by his ego, he happily signed the offer.

FINANCIAL TIP OF THE MONTH

Are you familiar with the American Opportunity tax credit? It's an education credit that pertains to children, and taxes, during a divorce—and includes expenses for tuition, fees, books, supplies, and equipment. Notably, it can only be claimed by the parent who claims the child as a dependent.

- It offers a maximum credit of $2,500—which equals 100 percent of the first $2,000 of education expenses, and 25 percent of the next $2,000 (up to an additional $500).
- Up to 40 percent of the credit is refundable. This means that even if the taxpayer doesn't have enough income to have a tax liability, they can get back up to 40 percent of the credit amount.
- It phases out at AGI (adjusted gross income) between $80K and $90K, for single or head-of-household filers ($160K - $180K for married filing jointly).
- There are other requirements to qualify, so let us know if you have a divorce case with college-bound children involved so we can help optimize the credit.

THERE REALLY IS A FREE LUNCH

Given today's COVID-19 environment, we are now offering online CLE, and will order lunch for the attorneys in your office who would like to participate. What a tasty way to learn 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) and say, "Hey! We'd love to take you up on that ingenious remote lunch-and-learn opportunity!" There's no obligation. Call us today!

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