LIFE SPANS

THE BRIDGE DIVORCE STRATEGIES NEWSLETTER

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

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BAD HOUSEKEEPING

Here's a financial vocabulary word that many women facing divorce don't understand: "fungible." It means that items are basically interchangeable in value. And big community assets in divorce aren't all fungible.

Here's the classic case in point: The equity in the marital house vs., say, the husband's 401(k). On paper, they may seem to be worth the exact same amount, and thus the subject of easy negotiation. You've seen it all too many times: The 401(k) is in the husband's name, from his job; he considers it "his." The woman is emotionally attached to the house where she's raised the kids. And so, when the husband offers to keep the 401(k) in exchange for the equity in the house, the soon-to-be-ex-wife often jumps at the offer.

She'd say "jump." We'd say "cave."

Here's why. It's that pesky fungibility. In a divorce, you want to split assets by type wherever possible. That's because they're not fungible. Equity in the house might seem like it's worth the exact same amount, but it's not. Because the equity in the house—vs., say, that 401(k)—will be worth a different amount over time (not to mention the differences in taxation and liquidity).

It's that kind of projecting-into-the-future that women often don't consider—and their attorneys lack the tools to provide. This, naturally, is where I come in.

In grossly oversimplified terms, that 401(k) will likely be worth more in the future than the seeming "identical" equity in the house since it will (again, likely) appreciate at a higher rate. This makes a big difference in the overall asset-splitting calculus.

There are tons of other factors, too. The husband, looking to move on, won't want to stay on the mortgage with his soon-to-be-ex. This would hamper his ability to rebuild his life and buy a new house in the future.

But for a woman who's largely been a housewife, stay-at-home mom, or low-earning employee throughout the marriage, the "rebuilding" implications are profound. If the husband is off the mortgage, the wife will need to apply for a new one, and perhaps not qualify for it, even with the agreed-upon alimony.

Then there are the clinging-to-the-past reasons for keeping the house, and the new-reality reasons for selling it. She may not want to upset the kids by having to move. But kids are resilient; families move all the time, even without divorce. And the move needn't be long-distance.

More important, I often tell these women: "Selling the house, and getting a new, downsized one, will give you peace of mind about your finances. You'll have a home of your own, that you can afford and is not tied to your spouse. You won't get clobbered by capital-gains taxes when you try and dump that McMansion as an empty-nester. You won't be a burden to your kids in the future, because you sacrificed your retirement funds today."

Best of all, I can model the woman's financial outlook, using lots of different if/then scenarios, on the fly, projecting out to the next 10, 20, even 30 years. It helps the women—and it sure helps you—during case preparation and mediation, especially when that clock is ticking.

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 from their remote locations. What a tasty way to learn things about the financial side of divorce that fly under your radar—and help you earn from one 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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