

# 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

Jane and her husband had been married for nearly 25 years when they decided to part ways. The kids were grown. Jane didn't have a career to speak of: She just worked a part-time retail job.

Her husband, on the other hand, was an accomplished earner. He worked for a Fortune 500 firm, where he was making about \$1.4 million a year. When we were called in to assist Jane's attorney, they had been handed a tax projection from the husband's team, and were just about to accept it, and settle.

Stop the presses! When we saw that tax projection, we immediately knew something was amiss. The husband's spreadsheet claimed that he would be paying north of \$200k in taxes on his half-million-dollar bonus, meaning there would be less left to pay Jane. They calculated the federal and state taxes at a whopping 40 percent, and wanted to take them right off the top.

But they were applying the marginal tax rate, not the effective tax rate. It's a distinction that easily sails past many family-law attorneys, since this isn't their specialty. But it is ours. And that's one massive distinction. When we re-worked the numbers, the actual tax that the husband would owe came in at more like \$50k, which meant a ton to Jane—and made Jane's attorneys into heroes.

### FINANCIAL TIP OF THE MONTH

Lump-sum payouts are one of the top financial issues in divorce. They can apply to either spousal maintenance or pension buyouts. Here, the discount rate is key, as is the present value of a stream of payouts—which is not the same as the present value of the total of all payments.

Example: Sarah is 54 years old. The proposed spousal maintenance is \$5k/month for a term of ten years, with a combined federal/state tax rate of 30 percent. With a discount rate of 3 percent, the total of all monthly payments before taxes would be \$600k. That same total after taxes would be \$420k. The lump-sum spousal maintenance amount? It would be \$362,466.14. Want to know how we calculated that? Simply take us up on our offer below!

### 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 CE credit in the process!

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

### FIND US AT:

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