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 married for 18 years, and Jane still loved the man. But he was now severely incapacitated, due to a brain injury. He was unable to work, unable to make sound decisions, and living off Social Security disability income.

Adding to Jane's strain was the husband's family: Amid all of Jane's travails, the family accused her of mishandling the husband's funds—essentially taking advantage of his disability so she could steal from him. This is what led Jane to the painful decision to pursue a divorce: She wanted to separate matters, financially.

Her family-law attorney specialized in cases featuring incapacitated adults and children. But the attorney wasn't a financial expert ("When I went to law school, they said there wouldn't be any math!"). With the husband's family exerting pressure on the case, the attorney called us in to conduct separate property tracing.

This is never easy. It's a specialized realm of financial forensics. But we're good at it. For Jane, we dove back through the decades, and were able to re-create her pre-marriage financial picture: her income, her property, the appreciation of assets, and more.

While the family didn't trust Jane, we took the pressure off Jane's attorney by providing unassailable evidence. Jane's attorney could confidently assert: "Forty-five percent of this account is community property, so the husband gets half of that amount; whereas 55 percent is Jane's separate property, and that goes to her."

It's amazing how quickly the right information can defuse a tense and contentious situation.

FINANCIAL TIP OF THE MONTH

Now that IRC §§ 71 & 215 have been repealed and alimony is no longer tax-deductible by the payor or taxable to the payee for decrees entered into after 2018, divorce negotiations regarding spousal maintenance have changed.

One of the miscalculations we often see in determining alimony amounts under the new tax law is the use of the marginal tax rate rather than the effective tax rate during negotiations. For example, if the payor's annual taxable income is $165,000, he falls in the 32% tax bracket. So, in "tax-affecting" the spousal maintenance amount for the deduction he will not receive, multiplying $165,000 by 32% is often used. However, since the income-tax structure is tiered, only the top dollars are taxed at this rate. The actual income tax on $165,000 would be $34,117, which is an effective tax rate of 20.7%.

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) 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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