

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

On the surface, everything looked normal: Jane's soon-to-be ex-husband made a lot of money, with regular deposits into the couple's joint bank account. Jane's family-law attorney had plenty on her hands, dealing with the intricacies of legal decision-making for the couple's two young children and division of assets.

But something didn't look right to us. When you work in numbers all day, you develop an intuition. Something was wrong. We decided to dig deeper.

We found it, all right. Sure, the husband was making a lot of money. And sure, he was making regular deposits into the couple's joint account. But he wasn't depositing all of his earnings. As the owner of an S Corporation, he was drawing both a salary and distributions, and we determined that the numbers literally didn't add up. In other words, there had to be another bank account, which he didn't disclose.

This was, in short, a bombshell. Put another way: It became a massive negotiating lever when we discreetly handed it to Jane's attorney.

Caught red-handed, the husband backpedaled: "I simply didn't pay back the S Corporation for personal things. Like my car." Yeah, right.

Had this case gone to trial, Jane's attorney could've subpoenaed the husband's bank statements. But it never went to trial. They settled. Jane Doe got more than she expected. Her attorney was a hero. Best of all, none of this impacted a penny of the attorney's fees.

FINANCIAL TIP OF THE MONTH

Although under the new tax law, spousal maintenance payments for decrees entered after 2018 will not be deductible or taxable, alimony recapture rules still apply to pre-2019 decrees—and can get complicated. Per IRS §§ 71 & 215, to qualify as alimony, the payment must not be designated under a written divorce or separation instrument as not includable as gross income. Huh? Don't you love a good double negative? What this means is that payments can qualify as alimony even if they are not specified as alimony in the agreement—so long as they meet the other requirements.

Example: Per a written separation agreement, a wife lives rent-free in a home owned by her husband, and the husband must pay the mortgage, real estate taxes, insurance, repairs, and utilities for the home. Do these expenses qualify as alimony?

No... and yes. Because the husband owns the home and the debts are his, his payments for the mortgage, real estate taxes, insurance, and repairs aren't alimony. Neither is the value of the wife's use of the home. However, if they otherwise qualify, the husband can deduct the utility payments as alimony.

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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