

Financial Aspects of Divorce

January, 2005

Using



1 - Family Law Software Orientation

Family Law Software is organized under a number of tabs, as shown below.

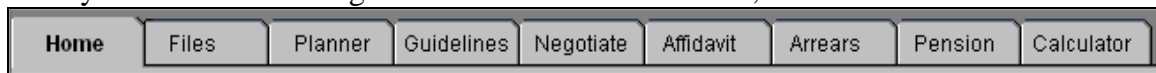


Figure 1- Software is Organized Under Tabs

Each tab is a module of the software.

The *Home* tab is for administrative tasks such as updating the software and getting technical support.

The *Files* tab is for loading, saving, exporting, and transferring client files.

The *Planner* tab is for entering the client's data and printing reports and graphs of income and net worth projections.

The *Guidelines* tab is for calculating and printing a report of child support guidelines.

The *Negotiate* tab allows you to perform income, property, tax, and "what if" analyses, and print reports of these analyses, that help you in the negotiation process.

The *Affidavit* tab is for viewing and printing the financial statements to give to the client or file with the court.

Data carries among the *Planner*, *Guidelines*, *Negotiate*, and *Affidavit* tabs. Together, these modules form a comprehensive system to enter client data, generate income and net worth reports, negotiate a settlement, and generate financial forms for a case.

The other three tabs, which you may explore at your leisure, are stand-alone tabs that address other aspects of divorce finances.

2 - Entering Key Names and Dates

Let's get started by entering some key name and date information (we will explain how in detail below). First, here is the information:

Husband's information:

Name: Mark Antony

Birth date: 4/5/1970

Date married: 8/3/1992

Date separated: 10/15/2004

State of residence: CT

Wife's information:

Name: Cleo Patrick

Birth Date: 3/22/1972

State of Residence: CT

1. Click the *Planner* tab.
2. Click the "Background Info" screen along the left.
3. Enter the information from above, as shown on the screen below:

- Financial Data**
- Background Info
- Case Info
- Assumptions
- Children
- Wages
- Non-Wage Income
- Living Expenses
- Major Expenses
- Residences
- Cash & Investments
- Debts
- Personal Items
- IRA, 401(k), Etc.
- Pension Plans
- Social Security
- Life Insurance
- Family Business
- Child Support
- Alimony
- Property Settlement
- Tax Filing Status

- Results**
- Data Checker
- Graphs
- Reports



Background Information

On this screen, we enter names, addresses, and some key dates.

One Party's Background Information:

First Name
 Middle Name or initial (optional)
 Last Name
 This party's Birth Date (E.g., 4/16/1970, used for retirement age, etc.).
 The State where this party lives (used to calculate state tax).
 The state of filing (used for guidelines and affidavits).
 This party is Husband or Wife
 This party is Plaintiff or Defendant
 The date parties were married
 The date separated (or think they might separate) ..

Click here to enter [More Info](#) for this party.

Other Party's Background Information:

First Name
 Middle Name or initial (optional)
 Last Name
 This party's Birth Date (E.g., 4/16/1970, used for retirement age, etc.).
 The State where this party lives (used to calculate state tax).
 This party is Husband or Wife

Click here to enter [More Info](#) for this party.

Click "Continue" when you are ready to move on to the next topic.

3 - Wage Info

Good! We're off and running. Now let's enter the parties' wage information. Here it is.

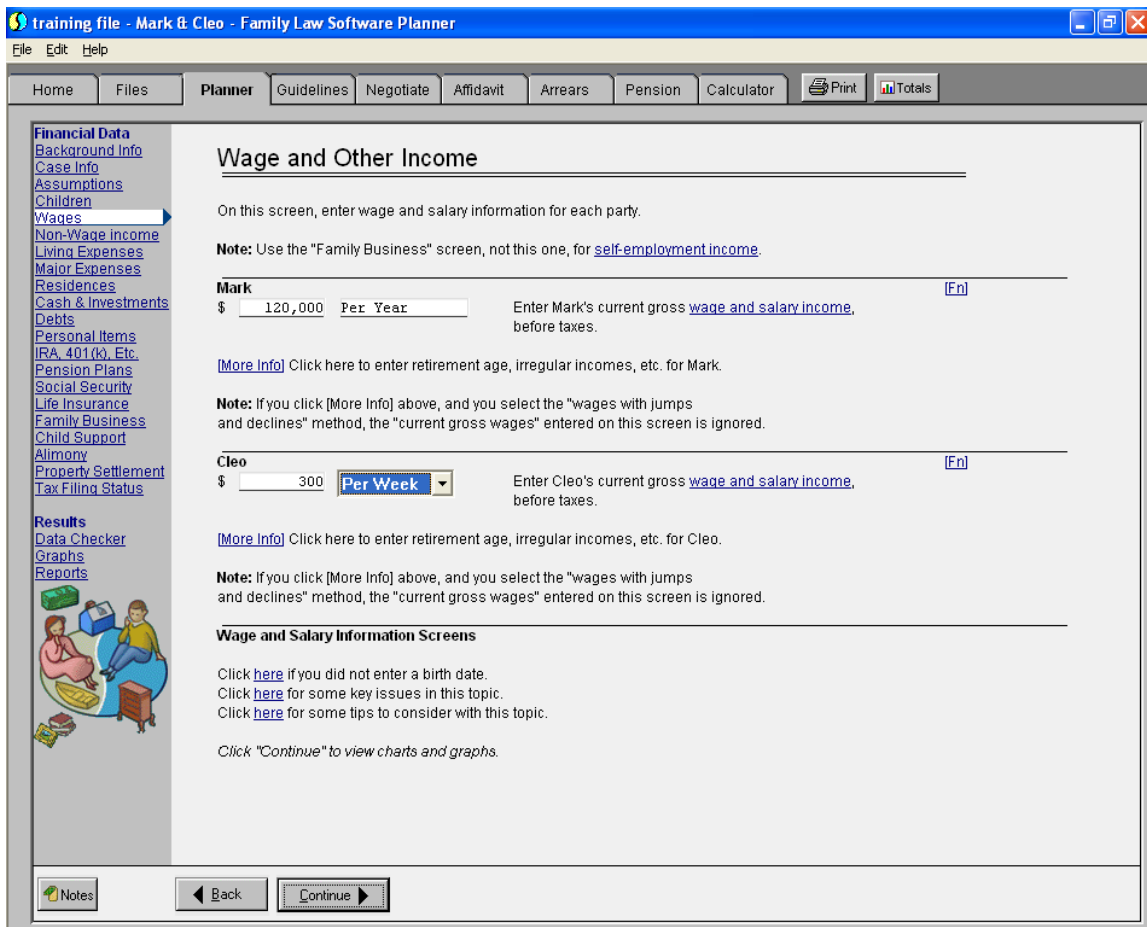
Husband's Information:

Mark earns \$120,000 a year.

Cleo earns \$300 a week.

To enter the wage information, do the following:

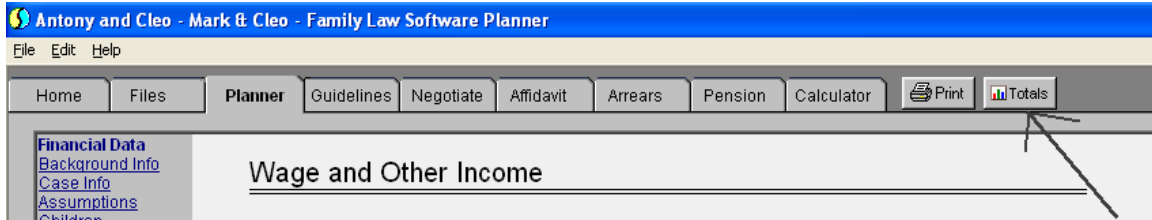
1. Click the "Wages" screen along the left.
2. Enter "120,000" for Mark.
3. Enter "300" for Cleo, and select the period "per week" next to the wage number.



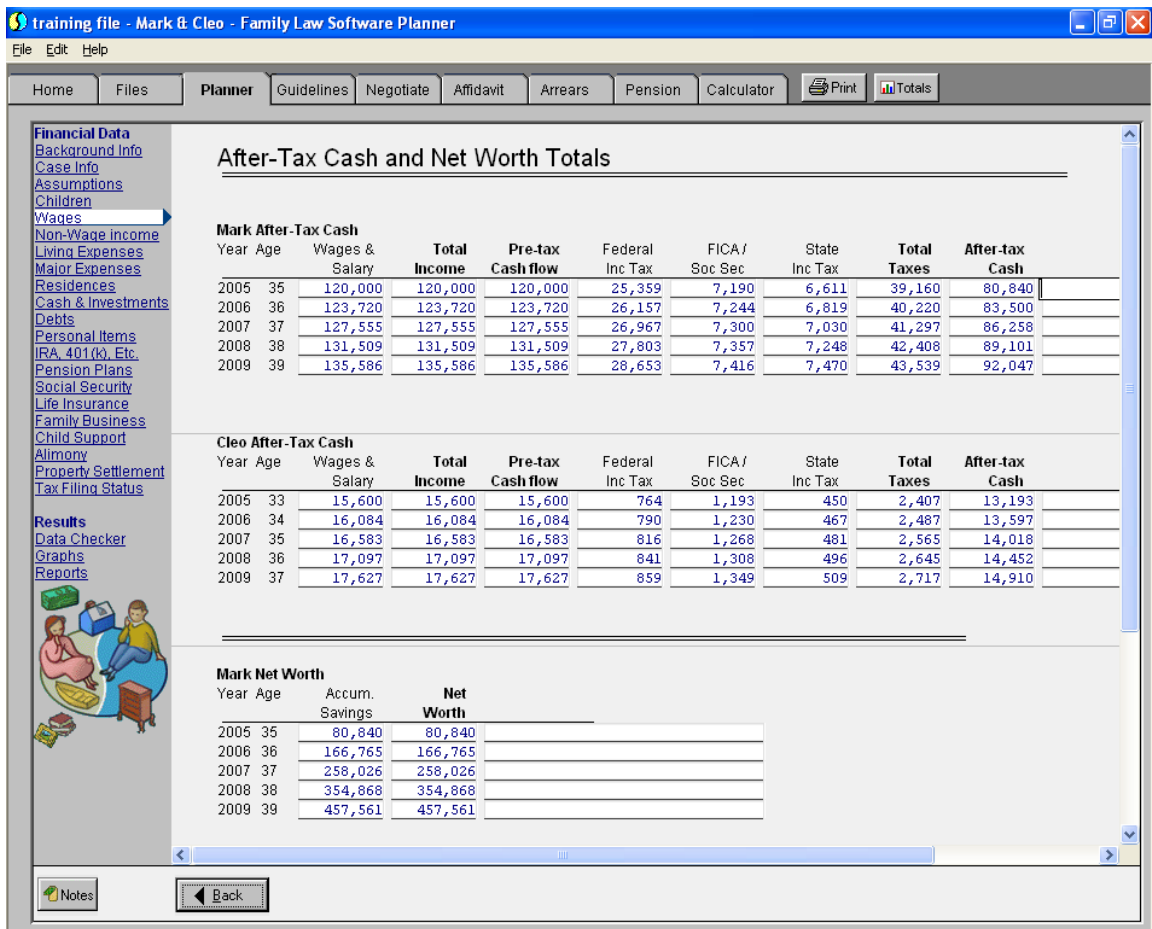
That's it! Now we have entered the parties' wages.

4 - "Totals"

Click the "Totals" button in the top right of the screen, as shown.



You will see a display of income and asset totals so far, as shown below.



Note the following:

- The wages are set to increase with inflation. If you don't want that, you can change the wage progression in any way you like, by clicking the link on the Wages screen that is labeled [\[More Info\]](#).

- All taxes are automatically computed for you: Federal, FICA, Medicare, and an estimate of state taxes.
- There are no expenses so far. As a result, all the income is being saved. This positive after-tax cash flow goes into an “Accumulated Savings” account.
- Scroll down and look at Net Worth. The only asset the parties have so far is the “Accumulated Savings” account. It is increasing each year by an assumed savings rate. (You may change this on the Assumptions screen.) It also increases each year, of course, by the addition of new accumulated savings.
- If the parties spend more than they earn in a given year, that results in a decrease to the Accumulated Savings account.
- If the Accumulated Savings account is negative, that means that the party is borrowing. A party who borrows is charged interest. The software provides an interest rate. You may change the interest rate on the [Assumptions](#) screen. The [Assumptions](#) link is on the left near the top.

5 - Budgeting – Living Expenses

Now we are going to enter some expenses. Click the link for the “Living Expenses” screen on the left.

Here are the key living expenses for the couple:

For Husband (Mark):

Food / Groceries: \$120 per week.
Car payments: 312 per month.
Health Insurance: \$300 per month.
Utilities – Oil/heat: \$1000 per year.

For Wife (Cleo) (scroll down):

Food / Groceries: \$180 per week.
Car Payments: \$399 per month
Child care: \$200 per week
Utilities – Electricity: \$60 per month.

1. Enter that information in the Weekly Amount, Monthly Amount, or Annual Amount columns (as appropriate) of the Expenses screen. See the screen image below:

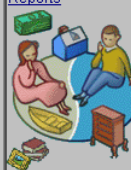
training file - Mark & Cleo - Family Law Software Planner

File Edit Help

Home Files **Planner** Guidelines Negotiate Affidavit Arrears Pension Calculator Print Totals

Financial Data
[Background Info](#)
[Case Info](#)
[Assumptions](#)
[Children](#)
[Wages](#)
[Non-Wage Income](#)
[Living Expenses](#)
[Major Expenses](#)
[Residences](#)
[Cash & Investments](#)
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Results
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Detail Expenses for Mark and Cleo - Short List

On this screen, you may enter a short list of living expense items for each party.
 For a complete list of living expenses for each party, click the "complete list" link below.

Note: Please enter/include the following items elsewhere in the program, not on this screen:
[mortgage interest](#), [state taxes](#), [rents](#), and [school and college tuition](#). Click [here](#) for help on vehicles.


If Start Year and/or End Year is blank, we carry the expense in all remaining years.
 Check "Incr w/ infl" box if you think the expense will increase with inflation.

Mark's Expenses	Start Year	End Year	Weekly Amount	Monthly Amount	Annual Amount	Tax Category	Incr w/ infl?
Food / Groceries			120	520	6,240	None	<input checked="" type="checkbox"/> More Info Fn
Car Payments			72	312	3,744	None	<input checked="" type="checkbox"/> More Info Fn
Car Insurance						None	<input checked="" type="checkbox"/> More Info Fn
Health Insurance			69	300	3,600	Medical	<input checked="" type="checkbox"/> More Info Fn
Homeowners' Insurance						None	<input checked="" type="checkbox"/> More Info Fn
Medical/Doctor Exp						Medical	<input checked="" type="checkbox"/> More Info Fn
Previous Relship Child Support						None	<input checked="" type="checkbox"/> More Info Fn
Previous Relship Alimony						Alimony Paid	<input checked="" type="checkbox"/> More Info Fn
Mandatory Retirement						None	<input checked="" type="checkbox"/> More Info Fn
Union Dues						Other Itemized	<input checked="" type="checkbox"/> More Info Fn
Child Care - Day Care						Child Care	<input checked="" type="checkbox"/> More Info Fn
Child Medical Doctor						Medical	<input checked="" type="checkbox"/> More Info Fn
Tax - Property Tax						Property Tax	<input checked="" type="checkbox"/> More Info Fn
Tax - Local Income Tax						Local Income Ta	<input checked="" type="checkbox"/> More Info Fn
Utilities - Electricity						None	<input checked="" type="checkbox"/> More Info Fn
Utilities - Gas/Propane Heat						None	<input checked="" type="checkbox"/> More Info Fn
Utilities - Oil Heat			19	83	1,000	None	<input checked="" type="checkbox"/> More Info Fn

[Click here for a complete list of expense items for Mark.](#)
[Click here to enter instead a single living expense total for each year for Mark.](#)

Cleo's Expenses

Notes Back Continue

2. Now click the "Totals" button  again. You will see a screen like that shown below.

training file just wages living exp - Mark & Cleo - Family Law Software Planner

File Edit Help

Home Files **Planner** Guidelines Negotiate Affidavit Arrears Pension Calculator Print Totals

Financial Data
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After-Tax Cash and Net Worth Totals

Mark After-Tax Cash

Year	Age	Wages & Salary	Total Income	Living Expenses	Total Expenses	Pre-tax Cash flow	Federal Inc Tax	FICA / Soc Sec	State Inc Tax	Total Taxes	After-tax Cash
2005	35	120,000	120,000	14,584	14,584	105,416	25,359	7,190	6,611	39,160	66,256
2006	36	123,720	123,720	15,036	15,036	108,684	26,157	7,244	6,819	40,220	68,464
2007	37	127,555	127,555	15,503	15,503	112,052	26,967	7,300	7,030	41,297	70,755
2008	38	131,509	131,509	15,982	15,982	115,527	27,803	7,357	7,248	42,408	73,119
2009	39	135,586	135,586	16,478	16,478	119,108	28,653	7,416	7,470	43,539	75,569

Cleo After-Tax Cash

Year	Age	Wages & Salary	Total Income	Living Expenses	Total Expenses	Pre-tax Cash flow	Federal Inc Tax	FICA / Soc Sec	State Inc Tax	Total Taxes	After-tax Cash
2005	33	15,600	15,600	25,264	25,264	-9,664	764	1,193	450	2,407	-12,071
2006	34	16,084	16,084	26,046	26,046	-9,962	790	1,230	467	2,487	-12,449
2007	35	16,583	16,583	26,854	26,854	-10,271	816	1,268	481	2,565	-12,836
2008	36	17,097	17,097	27,687	27,687	-10,590	841	1,308	496	2,645	-13,235
2009	37	17,627	17,627	28,546	28,546	-10,919	859	1,349	509	2,717	-13,636

Mark Net Worth

Year	Age	Accum. Savings	Net Worth
2005	35	66,256	66,256
2006	36	136,708	136,708
2007	37	211,564	211,564
2008	38	291,030	291,030

Notes Back

Things to notice:

- In the After-Tax Cash Flow section, there is a new column, entitled “Living Expenses.” This shows the annual totals of the living expenses you entered.
- Living Expenses increase automatically with inflation. If you think an expense will *not* increase with inflation, you may un-“X” the box (shown below) at the right hand end of the screen for that expense. The column is labeled “Incr w/ Infln” (increase with inflation).

Mark's Expenses	Start Year	End Year	Weekly Amount	Monthly Amount	Annual Amount	Tax Category	Incr w/ infl?
Food / Groceries			120	520	6,240	None	<input checked="" type="checkbox"/> [More Info] [Fn]

- You have tremendous flexibility. If you want to, you may click [\[More Info\]](#), and you will be able to change any and all future years’ expense amount. So if lessons will end, or day care will stop, you can make those changes.
- How are the parties doing? When we factor in living expenses, Mark is still doing OK, but Cleo is not doing so well. Her after-tax cash flow (the last column on the right) is now negative. That means that Cleo is spending more than she is taking in. She is borrowing to be able to do this.

6 - Children

Now let's enter the couple's children.

- 1. Click the link along the left for the [Children](#) screen.
2. Click the link that says, "Click here to enter the first child" (as shown below)

Children			
Enter key information items for each child.			
Click here for help on this screen.			
First Name	Birth Date	Custodial Parent	Parent for Tax Exemption
There are currently no Children entered.			
Click here to enter the first Child.			

3. Enter the information for Abby, which is shown below.

Abby's Information:

First name: Abby

Birth date: 4/5/1997

Custodial parent: Cleo [the software automatically fills in the mother's name]

Parent for tax exemption: Cleo [the software fills in the mother's name again]

4. Click the link that says, [Click here to enter another child.](#)

5. Enter the information for Bobby, shown below.

Bobby's Information:

First name: Bobby

Birth Date: 11/6/1999

Custodial parent: Cleo

Parent for tax exemption: Cleo

The resulting screen looks like that shown below:

Children

Enter key information items for each child.

Click [here](#) for help on this screen.

First Name	Birth Date	Custodial Parent	Parent for Tax Exemption			
Abby	4/5/1997	Cleo	Cleo	[More Info]	[Fn]	[Delete]
Bobby	11/6/1999	Cleo	Cleo	[More Info]	[Fn]	[Delete]

[Click here to enter another Child.](#)

Things to notice:

- The identification of who is the custodial parent will carry to the child support guidelines. We will see that later.
- The tax exemption selection is automatically used in the tax calculation.
- The software can help choose the tax exemption. We will see that later.
- If there are children who are supported by a party but who are *not* children of this marriage, enter the child's information, then click the [\[More Info\]](#) link (to the right of the line) and specify that. This information is used in the Child Support Guidelines as well.

7 - Residence

Our couple has a home, so let's enter that now. Click the link along the left for [Residences](#).

Here is the information we want to enter:

The home is worth \$750,000.

Cleo will be paying the mortgage.

Based on a current mortgage statement:

The current mortgage balance is \$425,000.

Monthly payment is \$2,393.

The current interest rate is 4%.

The statement is from October, 2004.

For the moment, we are going to assume that the parties are going to divide the home 50/50.

1. Click the link that says, "[Click here to enter the first Residence](#)."
2. Enter a description of the residence, "452 Winding Way."
3. Now click the link that says "[\[More Info\]](#)."

There are many options with a Residence, so there will be a few screens to complete.

4. Click the link that says "[Click here if the home is currently owned](#)."
5. Click the link that says, "[Basic information for home currently owned](#)."
6. Enter the value of the property (\$750,000). The screen will look like the one below.

Basic Information for Home Currently Owned

Enter a description (e.g. street address) of this property, which is currently owned.

Enter the current [value](#) of the property.

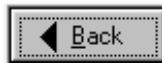
"X" if the value will increase with inflation
or enter another growth rate (e.g., 5 for 5%). (Leave both blank for no increase)

[View / Edit Annual Value of Residence](#)

Enter the approximate calendar year when this property was purchased (any year before the current year is treated the same).

Things to note:

- The home is set to appreciate with inflation, but you may change that if you wish.
- If you specify that the home will be sold in the future, the software will estimate the sale price based on the current value and the rate of appreciation.



7. Click the "Back" button at the bottom of the screen.

8. Click "[First mortgage on home currently owned.](#)"

9. Enter the mortgage information for the residence, as shown below. Be sure to click the selection to indicate that Cleo will be paying the mortgage.

First Mortgage Information

Description (e.g., the bank or mortgage company).

"X" if the interest on this mortgage is [tax deductible](#) (usually "yes").

Who will pay this mortgage? Mark. Cleo.

To whom [will it be paid](#)? The bank. The other spouse.

Current unpaid principal balance.

Monthly payment (principal and interest).

(Note: Enter Insurance and Taxes in the Living Expenses topic.)

Current annual interest rate (e.g., for 8.3%, enter 8.3).

Month (1-12) and year of this mortgage statement.

Please double-check that you clicked the selection to indicate that Cleo will be paying the mortgage.

Things to note:

- Scroll down to see that at the bottom of the screen, the software computes a complete amortization of the mortgage for you.
- If the mortgage is adjustable, or is interest-only, you may enter the mortgage a different way, using the “detailed” method. The detailed method is available from a link on the screen that says [Click here to enter data for the Detailed Method](#).
- The software has a lot of support for selling the home. If the home is sold, the software will know what the mortgage balance is on the sale date. It will use this information, together with the appreciation, to estimate how much the couple will clear on the sale of the home, the taxes, and the after-tax net to each party.
- To enter the sale information, you would click the Back button, then the link labeled [Sale of home \(click if home will be sold\)](#).

10. Click the “Back” button until you get back to the “Home Currently Owned” screen, and click the link for “[Division of Property for Home Currently Owned](#).”

11. On the second line (not the first), whose text is “Or, enter the percent of marital equity...,” enter “50” for 50 percent.

Things to note:

- The software automatically calculates the top line, the amount of marital equity.
- If you enter an amount of marital equity, the software will automatically calculate the percent.
- If some of the home is separate property, you may enter it on this screen, lower down.

12. Click the “Totals” button. The Totals window will appear, as shown below.

After-Tax Cash and Net Worth Totals

Mark After-Tax Cash

Year	Age	Wages & Salary	Total Income	Living Expenses	Resid. Expenses	Total Expenses	Pre-tax Cash flow	Federal Inc Tax	FICA / Soc Sec	State Inc Tax	Total Taxes	After-tax Cash
2005	35	120,000	120,000	14,584		14,584	105,416	23,727	7,190	6,261	37,178	68,238
2006	36	123,720	123,720	15,036		15,036	108,684	24,499	7,244	6,463	38,206	70,478
2007	37	127,555	127,555	15,503		15,503	112,052	25,368	7,300	6,663	39,331	72,721
2008	38	131,509	131,509	15,982		15,982	115,527	26,653	7,357	6,870	40,880	74,647
2009	39	135,586	135,586	16,478		16,478	119,108	27,978	7,416	7,075	42,469	76,639

Cleo After-Tax Cash

Year	Age	Wages & Salary	Total Income	Living Expenses	Resid. Expenses	Total Expenses	Pre-tax Cash flow	Federal Inc Tax	FICA / Soc Sec	State Inc Tax	Total Taxes	After-tax Cash
2005	33	15,600	15,600	20,480	28,716	49,196	-33,596	0	1,193	0	1,193	-34,789
2006	34	16,084	16,084	21,114	28,716	49,830	-33,746	0	1,230	0	1,230	-34,976
2007	35	16,583	16,583	21,769	28,716	50,485	-33,902	0	1,268	0	1,268	-35,170
2008	36	17,097	17,097	22,444	28,716	51,160	-34,063	0	1,308	0	1,308	-35,371
2009	37	17,627	17,627	23,141	28,716	51,857	-34,230	0	1,349	0	1,349	-35,579

Mark Net Worth

Year	Age	Resid-ences	Accum. Savings	Net Worth
2005	35	180,092	68,238	248,330
2006	36	198,287	140,763	339,050
2007	37	217,107	217,707	434,814
2008	38	236,573	298,885	535,458
2009	39	256,707	384,491	641,198

Cleo Net Worth

Year	Age	Resid-ences	Accum. Savings	Net Worth
2005	33	180,092	-34,789	145,303
2006	34	198,287	-72,548	125,739
2007	35	217,107	-113,522	103,585
2008	36	236,573	-157,975	78,598
2009	37	256,707	-206,192	50,515

Years: 1-5 6-10 11-15 16-20 21-25 26-30
 << Previous 2005-2009 [2010-2014](#) [2015-2020](#) [2020-2024](#) [2025-2029](#) [2030-2034](#) Next >>

Things to note:

- You will see Residence Expenses for Cleo, representing the mortgage. She is even more negative than before. But if you scroll down, you will also see a new column in the Net Worth chart: “Residences.”
- The amount displayed in the “Residences” column is the equity in the home (value less mortgage). Each spouse has an equal amount of equity in the home at this point.
- The equity in the home increases each year, as the home appreciates and the mortgage is paid off.
- We have made just a few entries in the software, but we have gotten a tremendous amount of explanatory power out. In a very short time, we can really see where we’re going with the case.

8 - Bank Accounts and Financial Investments

The parties have a bank account and a mutual fund:

Financial Accounts:

- First Union Savings, a money market account, pays 1%, current balance: \$3,294.
- Vanguard Index 500 mutual fund, pays 1% dividends and grows at about 5% a year. Current value \$7,325.

Let's enter these.

1. Click the [Cash & Investments](#) link along the left.
2. Click the link that says [Click here to enter the first Investment.](#)
3. Enter the First Union Savings money market account, with its \$3,294 current value. Select "Financial" for type of investment. Enter "0" as the rate of growth. The tax category is "Interest" (you may type the letter "i" in this field). And, for now, enter 50% as Mark's percent share.
4. Click the link that says "[Click here to enter another investment.](#)"
5. Enter the Vanguard Index 500 fund, which as a \$7,325 value. That is also a "Financial" investment, with 1% for the Int/Div rate and 5% for the Growth rate. For tax category, select "Dividend." Enter 50% as Mark's percent.

Cash and Investments

Enter information for each bank account and investment held outside a retirement plan.

Click [here](#) for help on this screen.

Description of Investment or Account	Investment Type	Value of Investment	Investment Return:				Pct of Marital Equity kept by Mark	Amount of Marital Equity kept by Mark
			Rate (%) Int/Div	Or: Net Cash Flow	Rate (%) Gro	Tax Category		
First Union Saving	Financial	3,294	1.0			Interest	50	1,647
Vanguard Index 500	Financial	7,325	1.0		5.0	Dividend	50	3663

[Click here to enter another Investment.](#)

6. Click the Totals button. You will see a new column in the top chart, "Fin Invest." for financial investment income. And if you scroll down to assets, you will see the "Fin. Assets."

7. Click the "Back" button to return to the "Cash and Investments" screen.

Things to note:

- If you want to enter the basis of the assets, or to indicate some separate property, you can do so by clicking [\[More Info\]](#) next to that item.
- Interest income is currently taxed at a higher rate (typically) than dividend income. The software handles that automatically.
- At the top of the Investments screen is a link that says, “Click [here](#) for help on this screen.” This is a gateway to a wealth of useful information. There are similar links on virtually every screen. If you have any questions about either financial planning or software, that is a great place to look.

Although couples may have other financial incomes, expenses, and assets, we are going to call our parties’ information complete, and move on to child support, tax answers, and negotiating property division.

9 - Child Support

One of the top-of-mind questions of every couple who are going through a divorce, and who have children, is: what is the child support payment going to be?

Fortunately, the software helps you answer that question.

The child support guideline calculations are found on another tab of the software, the “*Guidelines*” tab.

1. Click on the *Guidelines* tab at the top of the screen
2. Click [Select State](#) along the left, and then select Georgia.

Choose a State to Calculate Child Support

Please select the state to calculate child support for, then select the topics for this state on the left.
Select your state:

<input type="radio"/> California	<input type="radio"/> North Carolina
<input type="radio"/> Connecticut	<input type="radio"/> New Jersey
<input type="radio"/> Florida	<input type="radio"/> New York
<input checked="" type="radio"/> Georgia	<input type="radio"/> Nevada
<input type="radio"/> Illinois	<input type="radio"/> Pennsylvania
<input type="radio"/> Massachusetts	<input type="radio"/> Rhode Island
<input type="radio"/> Maryland	<input type="radio"/> Texas
<input type="radio"/> Minnesota	<input type="radio"/> Virginia
<input type="radio"/> Missouri	
<input type="radio"/> Mississippi	

3. Click “[Planner Link](#)” along the left. The top “X” box (shown below) tells the software to use the data you just entered in the Planner to help calculate the guideline amount.

Planner Link

This is the control screen for carrying data to and from the Planner.

Carry information from the Planner to the Child Support Calculator:

Use information from Planner in the Child Support Calculator

[Click here for more information on carrying information from the Planner.](#)

Note: Fields carried from the Planner will appear in green.

4. Click each of the following links along the left and look briefly at the screens: [Background info](#), [Children](#), [Income](#), [Adjustments](#). Note that most of the information you need has been carried from the Planner.

Things to note:

- Numbers that are carried from the Planner appear in green.
- Numbers that are calculated by the system appear in blue.
- To check whether any additional child support entries are needed, simply visit each Child Support screen, look for the blank fields, and see if they apply to your situation.

5. Click the link along the left for the [Guideline Worksheet](#). Scroll to the bottom. This is the child support amount.

The screenshot shows the 'Georgia Child Support Worksheet' interface. The left sidebar contains navigation links: Guidelines Tab, Select State, Georgia (Introduction, Planner Link), Support Data (Background Info, Children, Income, Adjustments), and Results (Review, Guideline Wksht). The main area contains the following data:

Georgia Child Support Worksheet		
Case Name: <input type="text"/>	County: <input type="text"/>	
Cleo Patrick vs. Mark Antony		Case: <input type="text"/>
Custodial Parent: Cleo Number of Children: 2		
	Cleo	Mark
A. MONTHLY INCOME:		
Salary/wages, per month	\$ 1,300	\$ 10,000
Interest, per month	\$ 1	\$ 1
Dividends, per month	\$ 3	\$ 3
TOTAL MONTHLY INCOME	\$ 1,304	\$ 10,004
B. STATUTORY PERCENTAGE	<input type="text"/> %	25.0 %
C. MONTHLY CHILD SUPPORT	\$ <input type="text"/>	\$ 2,551
Notes:		
Child Care Expenses, per month	\$ 867	\$ 0
Monthly Child Support Award, to be paid by Mark Antony		\$ 2,551

8. Click the link along the left for [Planner Link](#). Click the bottom box, to use the child support result back in the Planner.

9. Click the Planner tab, then click the link along the left labeled [Child Support](#). You will see that amount has been entered there.

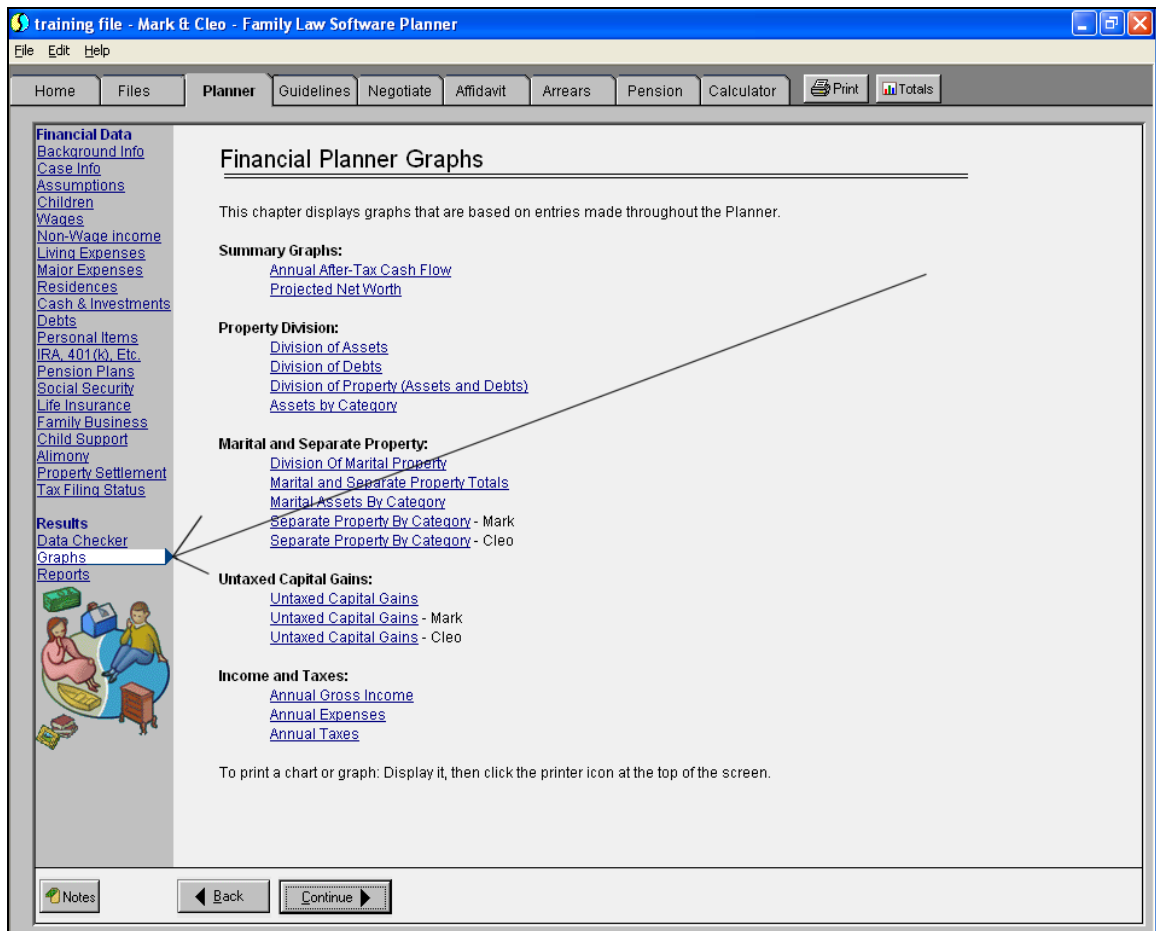
10. Click the “Totals” button. You will see a column for “Child Support” income for Cleo, and a similar column for “Child Supt Pd” expense for Mark.

10 - Negotiating Spousal Support

A look at the Totals screen tells us that Cleo is in need of more help, even after child support.

We can see this graphically.

1. Clicking the *Planner* tab, then [Graphs](#) (on the left, near the bottom, as shown below).

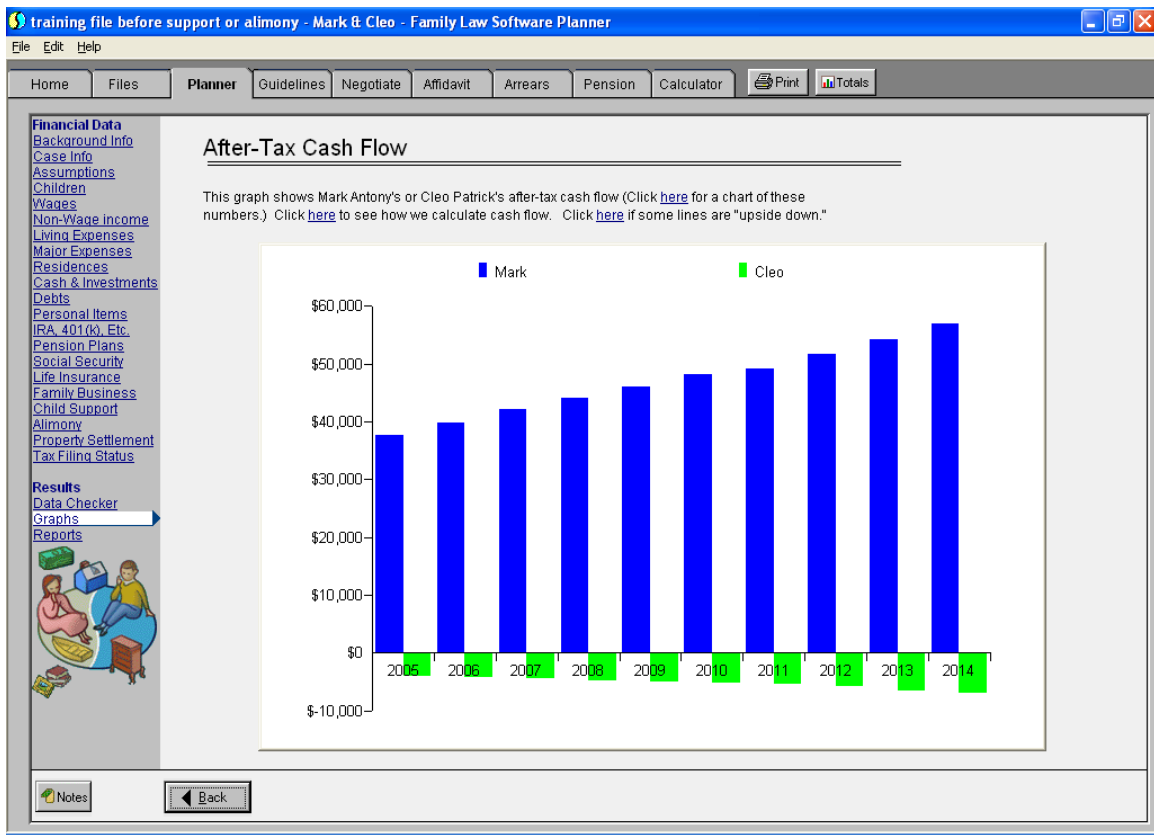


The screenshot shows the 'training file - Mark & Cleo - Family Law Software Planner' window. The 'Planner' tab is selected, and the 'Graphs' link in the left sidebar is highlighted. The main content area is titled 'Financial Planner Graphs' and contains several sections of links:

- Summary Graphs:**
 - [Annual After-Tax Cash Flow](#)
 - [Projected Net Worth](#)
- Property Division:**
 - [Division of Assets](#)
 - [Division of Debts](#)
 - [Division of Property \(Assets and Debts\)](#)
 - [Assets by Category](#)
- Marital and Separate Property:**
 - [Division Of Marital Property](#)
 - [Marital and Separate Property Totals](#)
 - [Marital Assets By Category](#)
 - [Separate Property By Category - Mark](#)
 - [Separate Property By Category - Cleo](#)
- Untaxed Capital Gains:**
 - [Untaxed Capital Gains](#)
 - [Untaxed Capital Gains - Mark](#)
 - [Untaxed Capital Gains - Cleo](#)
- Income and Taxes:**
 - [Annual Gross Income](#)
 - [Annual Expenses](#)
 - [Annual Taxes](#)

At the bottom of the window, there are 'Notes', 'Back', and 'Continue' buttons.

2. Click the top link, [Annual After-Tax Cash Flow](#). You get a graph like that shown below:



Cleo, shown with the green bars, is not quite making it.

Let's try to get some spousal support (also known as alimony) for Cleo. In fact, let's aim to get enough so that Cleo gets to a point where, after expenses and taxes, she breaks even.

3. Click the **Negotiate Tab**. Then click the top link, [Support & Alimony](#).

4. Click the "X" box in the middle of the page that says, "Check here to start with actual child support and alimony."

Check here to start with actual child support and alimony.

The After-tax cash numbers at the bottom of the screen will update to match the Totals results.

5. Under "Alimony per month (\$)" enter \$400 (we found this number quickly by trial and error). This number brings Cleo to break-even on an after-tax cash basis -- at least for the five years alimony lasts. The tax effect of alimony for both payer and recipient is automatically factored in.

6. Let's make the alimony amount actual. To do this, click the **Planner** tab, click the link along the left for [Alimony](#), then enter \$400 a month under "Payment Amounts and Dates for This Order." (See the screen segment below.)

The screenshot shows the 'Family Law Software Planner' window. The 'Planner' tab is selected, and the 'Alimony' link is highlighted in the left sidebar. The main window displays the 'Alimony (Spousal Support)' form. The form includes a navigation menu on the left with categories like 'Financial Data', 'Results', and 'Data Checker'. The main content area has the following sections:

- Alimony (Spousal Support)**: Introduction text and a link to guidelines.
- Alimony Payer**: Radio buttons for 'Mark' (selected) and 'Cleo'.
- Payments Before This Order**: A text box with '0' and a note about pending payments.
- Payment Amounts and Dates for This Order**: A text box with '400', radio buttons for 'per month' (selected) and 'per year', and a date field set to '2005'.
- Planned Modifications and Termination of Alimony**: A text box with '0' and a note about modified levels.

7. Click the "Totals" button again, and see that Cleo just breaking even on an after-tax cash basis, as expected.

11 - Tax Answers

We have now figured child support and negotiated spousal support.

Like many alimony payers, Mark wants to know how much the alimony payments save him in taxes.

This leads us to explore this and other questions in the "Tax Answers" section of the *Negotiate* tab of the software.

1. Click the *Negotiate* tab.
2. Click the [Alimony Savings](#) link along the left.
3. The answer to Marks' question will appear, as shown below.

Tax Savings Due to Alimony

The net tax savings due to alimony are \$7,028 over 5 years.

At the bottom of the screen is a complete explanation of how that number was derived, which you may read at your leisure.

4. Mark wants to know which filing status would be best, in terms of saving the couple tax dollars overall. Click the [Filing Status](#) link along the left. The answer to Mark's question will appear, as shown below. You have just given them a compelling reason to wait a bit to make their divorce final – and saved them a tidy sum in the process.

Best Filing Status in the Current Year

The best filing status for the current year is joint.

With this filing status, the parties can save \$9,261 over the married filing separately filing status and \$5,159 over the single/head of household filing status.

5. Mark and Cleo are debating who should claim the exemptions. Click the [Exemptions](#) link along the left. The answer to Mark's question will appear, as shown below. Again, beneath that conclusion is a complete explanation.

Who Should Claim the Exemptions

We do not recommend any changes as to who claims the exemptions at this time.

Something to note:

- If you were to click the Planner tab, click Children along the left, and change the Parent for Tax Exemption from Cleo to Mark, then go back to the Negotiate tab, a different picture would emerge, as shown below:

Who Should Claim the Exemptions

According to our analysis, the parties can save \$47,033 over 15 years by switching the exemption(s) to Cleo.

- Why is it better to give the *lower*-income parent the exemptions? In this case, because the exemptions helped that parent qualify for the earned income credit, which had a significant impact on the overall tax picture. This shows up if you look at the tax reports. This result shows that the apparently-obvious answer (give the exemptions to the higher-income parent) is not always the right answer.

12 - Negotiating Property Division

We have only one task left in our financial mediation for the couple: negotiating their property division.

Not surprisingly, the software can help.

1. Click the *Negotiate* Tab and the [Property Division](#) link along the left.
2. Notice that we have totals for marital equity and marital plus separate equity at the top. Currently, they are all divided 50/50.

Suppose we want to give Cleo 60% of the property.

3. At the Vanguard 500 Index, enter “0” in the column “Mark % of marital.” This will give the entire asset to Cleo.
4. Look at the top. The percents moved from 50/50 to 49/51%. This does not really have much impact in terms of property division.
5. At the residence, make Mark’s percent of marital “41.” This does get the parties to an approximately 60/40 split. Mark will have to agree that, when the home is sold, he will keep only 40% of the proceeds.

13 - Conclusion

Congratulations! You have completed your training on Family Law Software.

There is more to learn, to be sure.

But nearly everything you will ever need to know is contained within this powerful, easy-to-use software.

To learn more about both financial planning and Family Law Software, simply click on each tab, and within each tab, click on each link, including the pop-up-help, and you will learn quite a lot in a very pleasant and straightforward fashion.

Now you have the training and the tools to help people reach sensible financial settlements that reflect the needs and aspirations of both parties.