

Net Worth Negotiator

(Hypothetical Example)

Step 1: Identify the Assets and Liabilities			Step 2: Value the Marital Assets and Liabilities and Compute Taxes					Step 3: Allocate the Value of Marital Assets and Liabilities (Who is entitled to what?)				Step 4: Allocate the Title of Marital Assets and Liabilities (Who is keeping what?)				
Assets	Title Currently Held by	Source of Funds	Valuation Date	Pre-Tax Marital & Premarital Value	Pre-Tax Marital Value	Marital Value, After Taxes	Current or Deferred Distribution?	% Allocation of Value		\$ Allocation of Value		% Allocation of Title Post-Agreement Date		Title / Responsibility Post-Agreement Date		
	John	Mary	John	Mary	John	Mary	John	Mary	John	Mary	John	Mary	John	Mary		
Checking Account #1	Joint	Marital	12/31/2013	\$ 19,000	\$ 19,000	\$ 19,000	Current	50.0%	50.0%	\$ 9,500	\$ 9,500	100.0%	0.0%	\$ 19,000	\$ -	
Checking Account #2	Joint	Marital	12/31/2013	6,000	6,000	6,000	Current	50.0%	50.0%	3,000	3,000	0.0%	100.0%	-	6,000	
Investment Account	John	Marital	12/31/2013	275,000	275,000	275,000	Current	50.0%	50.0%	137,500	137,500	50.0%	50.0%	137,500	137,500	
PrivateBusiness ABC, Inc.	John	Marital	12/31/2013	2,400,000	2,400,000	2,400,000	Current	67.0%	33.0%	1,608,000	792,000	100.0%	0.0%	2,400,000	-	
Toyota Prius	Mary	Marital	12/31/2013	12,000	12,000	12,000	Current	50.0%	50.0%	6,000	6,000	0.0%	100.0%	-	12,000	
Lexus	John	Marital	12/31/2013	35,000	35,000	35,000	Current	50.0%	50.0%	17,500	17,500	100.0%	0.0%	35,000	-	
Marital Residence	Joint	Marital	12/31/2013	550,000	550,000	550,000	Current	50.0%	50.0%	275,000	275,000	0.0%	100.0%	-	550,000	
GE 401(k)	John	Marital	12/31/2013	1,400,000	1,050,000	1,050,000	Current	50.0%	50.0%	525,000	525,000	100.0%	0.0%	1,050,000	-	
Defined Benefit Pension	Mary	Premarital & Marital	12/31/2013	n/a	n/a	n/a	Deferred	29.0%	71.0%			29.0%	71.0%			
Jewelry, Art, Etc.	Mary	Marital	n/a	n/a	n/a	n/a	Current	50.0%	50.0%			50.0%	50.0%			
Liabilities		Use of Funds														
Auto Loan - Lexus	Joint	Marital	12/31/2013	(16,000)	(16,000)	(16,000)	Current	50.0%	50.0%	(8,000)	(8,000)	100.0%	0.0%	(16,000)	-	
Capital One Credit Card	Joint	Marital	12/31/2013	(26,000)	(26,000)	(26,000)	Current	50.0%	50.0%	(13,000)	(13,000)	100.0%	0.0%	(26,000)	-	
Capital One Credit Card	John	Separate	12/31/2013	(12,000)	(12,000)	(12,000)	Current	50.0%	50.0%	(6,000)	(6,000)	100.0%	0.0%	(12,000)	-	
Bank Mortgage	Joint	Premarital & Marital	12/31/2013	(350,000)	(350,000)	(350,000)	Current	50.0%	50.0%	(175,000)	(175,000)	0.0%	100.0%	-	(350,000)	
Total				\$ 4,293,000	\$ 3,943,000	\$ 3,943,000		Allocation of Value:		\$ 2,379,500	\$ 1,563,500	Allocation of Title:		\$ 3,587,500	\$ 355,500	
										Allocated Marital Value, Per Above	\$ 2,379,500	\$ 1,563,500				
										Titled Marital Value Held Post-Agreement Date	(3,587,500)	(355,500)				
										Separate Property Credit	-	-				
										Step 5: Total Cash Equalization From John to Mary	\$ (1,208,000)	\$ 1,208,000				

Net Worth Negotiator summarizes a couple's net worth on a single sheet to facilitate effective communication between all stakeholders in the divorce or separation process so that settlement may be reached. This tool helps spouses and attorneys determine who will be keeping title to which assets and liabilities, what the ultimate cash equalization payment is, and what action items are post-agreement signing (i.e., transfer of title, etc.).

Step 1: Identify the Assets and Liabilities - The clients list their assets and liabilities and determine what is marital, premarital, inheritance, etc.

Step 2: Value the Marital Assets and Liabilities and Compute Taxes - Documents are gathered to support values as of a specified date. Taxes are computed so that the cash equalization in Step 5 is on a cash or cash equivalent basis.

Step 3: Allocate the Value of Marital Assets and Liabilities (i.e., Who is entitled to what?) - In some states, the division of assets values are 50/50, and in others an asset value may be "equitably distributed," which does not necessarily mean equal. Settlement negotiations may also require an uneven allocation of value (e.g., wasteful dissipation of marital assets).

Step 4: Allocate the Title of Marital Assets and Liabilities (Who is keeping what?) - This section specifies which spouse is keeping a business interest, car, etc. (e.g., the spouse keeping the car will have 100% in his or her column and the other spouse will have 0% for that asset) If the shares in an investment account are to be equally divided, then each spouse would have 50% in his or her column for that asset.

Step 5: Total Cash Equalization - The marital value held post-divorce (Allocation of Title) for each spouse is subtracted from the value of what they are entitled to (Allocation of Value) to determine how much one spouse owes the other. In this example, John owes Mary \$1,208,000 in cash because he received title to value of \$3,587,500 and was only entitled to receive value of \$2,379,500. He can pay the cash equalization with some of his pre-tax GE 401(k), cash, or with a loan to Mary. If he satisfies the cash equalization with a qualified domestic relations order on his GE 401(k), then the cash equalization payment should be "grossed-up" for taxes since he is paying her with pre-tax dollars.