



# Family Law Software

Avoiding Common Errors

*Velocity Workbook*



# Family Law Software—Avoiding Common Errors

## Background and Kids

- Dates are critical. KNOW THE DATE OF DIVISION IN YOUR STATE. That date goes in Date of Separation.
- If there are multiple minor children, strive to have both parties as Head of Household for filing status and alternate claiming the Tax Exemption
- Kids—Be sure to click on “More info” and change the default age for tax exemptions to 23 from 21. **-A-**
- Be sure that if they are alternating exemptions, you change the first year claimer on one of the kids or the program selects the first party as the parent to claim in year 1 and it will be lopsided. **-B-**

### Filing Status in the Current Year:

Filing status is needed for tax calculation, leave at "single" if you do not know it.

Tax filing status in current year ..... Head of household

59.29 % If filing jointly, % of joint income tax allocable to Jill  
(calculated as proportional to gross incomes).

Click [here](#) if parties are both "married filing separate" in the current year.

### Filing Status in Future Years:

Tax filing status in future years ..... Head of household

If Head of Household in future years:

"X" here to switch to Single when no custodial child is an exemption

[View / Edit annual filing status](#)

Other Party: First Middle Last  
JOhn

This party is .....  Male  Female

Date of birth ..... 04/23/1974

The state where this party lives ..... AZ (used to calculate state tax)

Click here to enter [more info](#)

### Filing Status in the Current Year:

Tax filing status in current year ..... Head of household

### Filing Status in Future Years:

Tax filing status in future years ..... Head of household

Who will have custody of this child? [?](#)

Jill  
 JOhn  
 Neither

Which parent will claim the tax exemption for this child? [?](#)

Jill  
 JOhn  
 Alternating, starting with ...  
**-B-**  Jill claiming the exemption in the first year.  
 JOhn claiming the exemption in the first year.  
 Neither

Is this a child of this relationship? [?](#)  Yes  No

Is this child eligible for child support? [?](#)  Yes  No

Child Support for this child will run until ..... /

Until what age will this child be a tax exemption?

**-A-**  18 (child will *not* go to a full-time college).  
 21 (child will go to college, no graduate school).  
 23 (child a full-time student through age 24 or later).  
 Other. If "Other," specify the age.



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## REAL ESTATE

- Always enter properties with the Address as Description
- The Tax Basis on main page does NOT carry over to the More Info page!
- Do all entry on the More Info page for best accuracy
- Pay attention to the top section of bullet points closely. They dictate the rest of the page.
- This box is checked by default. If there is only a primary home, you can uncheck and enter expenses on the Living expenses page.

Click here to enter real estate expenses with each property on the Real Estate Expenses screen (recommended). [?](#)  
If this is X'd, and a party pays rent, create another Real Estate property and enter the rent and other expenses there.

<input checked="" type="radio"/> Yes	<input type="radio"/> No	Does a party currently own this property or live here now? <a href="#">?</a>
<input type="radio"/> Yes	<input checked="" type="radio"/> No	Is this a rental income property?
<input type="radio"/> Yes	<input checked="" type="radio"/> No	Is there a second mortgage or home equity line?
<input type="radio"/> Yes	<input checked="" type="radio"/> No	Will this property be sold?

## First Mortgage

1. Will the mortgage be a new / [refinancing](#) / "buyout" mortgage? [?](#)  Yes  No

If one party is going to keep the house and refinance, then this needs to be changed to Yes.

Don't ignore 10. and 11. They matter!

2. Month/year of this mortgage statement: .....

10. Who will pay the mortgage?  
 Jill  JOhn  50/50. Or,  % paid by Jill [?](#)

11. Legally, who is the mortgagor?  Joint  Jill  JOhn  
[\[more info\]](#) Click here to see more info and a mortgage amortization.



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This information determines the taxation of the property. It's critical this information is accurate.

## Basis of Real Estate (for estimating after-tax value)

- |   |    |                      |
|---|----|----------------------|
| 1. Original cost of real estate .....   | \$ | <input type="text"/> |
| 2. <a href="#">Improvements</a> since purchase (e.g., kitchen, bathroom, addition)..... | \$ | <input type="text"/> |
| 3. <a href="#">Rolled over</a> gain from prior sale before May 7, 1997. ....            | \$ | <input type="text"/> |

When the house is being sold.....

## Sale of Real Estate

1. Anticipated [date](#) of sale (required) .....

**Note:** Sale proceeds do not flow into budget or cash flow (though taxable gain does flow to taxes).  
The sale is accounted for simply as a shift of assets, from Real Estate to Accumulated Savings.  
We do this to prevent the sale from distorting budgets and "what if" projections.

- |  |                          |                      |
|--|--------------------------|----------------------|
| 2. Value at date of sale (we <a href="#">estimate</a> this value, feel free to override) .....                                   | \$                       | <input type="text"/> |
| 3. Percent of sale price for anticipated <a href="#">closing costs and expenses</a> .....  | <input type="text"/>     | %                    |
| 4. Amount of closing costs and expenses (line 2 * line 3) .....  | \$                       | <input type="text"/> |
| 5. Percent of closing costs and expenses to be paid by Jill .....  | <input type="text"/>     | %                    |
| 6. Would you like us to deduct closing costs from real estate equity on the Division of Community Property Worksheet and Report? | <input type="checkbox"/> |                      |
| 7. Percent of taxable gain allocated to Jill   | <input type="text"/>     | %                    |
| 8. Original cost of real estate .....  | \$                       | <input type="text"/> |
| 9. <a href="#">Improvements</a> since purchase (e.g., kitchen, bathroom, addition).....  | \$                       | <input type="text"/> |
| 10. <a href="#">Rolled over</a> gain from prior sale before May 7, 1997. ....  | \$                       | <input type="text"/> |
| 11. <a href="#">Worksheet</a> Click here to determine the amount of the tax exclusion (typically \$250,000).                     |                          |                      |

**Don't forget to check box 6 so that the costs of sale are subtracted from equity AND show up on your property division.**



[Click here to view the Sale of Real Estate report.](#)




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When one party is going to be buying a new home.....

who pays mortgage .....	Jill	JOhn	50/50	Or,		% paid by Jill
<a href="#">[add 2nd mortgage or home equity line]</a>						
New Home Jill	350,000		350,000	100	350,000	#
1st Mort. (balance) .....						

Here's what your entry will look like.....

Yes  No Does a party currently own this property or live here now? 

**Because this property is not currently owned, it will NOT appear on the Financial Affidavit.**

Yes  No Is this a rental income property?

Yes  No Is there a second mortgage or home equity line?

**Ownership and Cost**


1. Whose real estate property will this be? ..... Jill


2. Enter the calendar year in which you think this property will be purchased. ..... 2020


3. Enter the anticipated cost of the new property  
(click [here](#) for a note about downpayments). ..... \$ 350,000

4. Anticipated rate of appreciation of property:  
 Same as inflation; or  % of appreciation per year (e.g., 5 for 5%).  
[View / Edit Annual Value](#) [View / Edit Annual Appreciation](#)

**First Mortgage**

1.  "X" if this mortgage is/was used to buy or renovate a first or second home. 


2.  "X" if this mortgage is/was secured by a first or second home. 


3.  "X" if this mortgage is/was incurred after December 15, 2017 and before January 1, 2026. 


4. Anticipated amount of new mortgage. .... \$ 250,000

5. Anticipated term of new mortgage in years (typically 15 or 30). .... 30


6. Mortgage start (closing) date. Enter closest guess, e.g. 6/1/2019 ..... 01/01/2020

7. Anticipated annual interest rate (e.g., for 3.8%, enter 3.8)  ..... 4.000 %

8. Who will pay the mortgage?  
 Jill  JOhn  50/50. Or,  % paid by Jill 

9. Enter the current balance, for property reports  .....

10. Legally, who is the mortgagor?  Joint  Jill  JOhn

**This reflects a 100k down pmt.** 



# Family Law Software—Avoiding Common Errors

**Rental Properties—You HAVE to see the tax returns to get the rents, expenses, and depreciation table. Don't forget to add back depreciation to the annual expenses. Here's what the entry looks like...**

If this is X'd, and a party pays rent, create another real estate property and enter the rent and other expenses there.

- Yes  No Does a party currently own this property or live here now? [?](#)
- Yes  No Is this a rental income property?
- Yes  No Is there a second mortgage or home equity line?
- Yes  No Will this property be sold?

Click [here](#) to explain how to divide real estate or refinance to buy out one party.

## Value and Appreciation

- Current [value](#) .....\$
  - Anticipated rate of appreciation of property:
    - Same as inflation; or  % of appreciation per year (e.g., 5 for 5%).
- [View / Edit Annual Value](#)                      [View / Edit Annual Appreciation](#)

## Rental Property Information

Click [here](#) to explain how we handle rental real estate.

- Enter the average monthly gross rental [income](#) (even if zero) .....\$
- Enter the % by which rental income will increase each year .....  %
  - Or, "X" if same as inflation.
- Who will get the net income? Enter the % [to be kept by](#) Jill .....  %
  - Or, enter % of net income to be kept by JOhn .....  %
- Monthly [expenses](#) besides mortgage and depreciation (grows w/ inflation) .....\$ 
  - "X" to carry these from Real Estate Expenses, below. If this is X'd the percentage of expenses to each party, entered below, is ignored. [?](#)
- Enter the % of payments on 1st mortgage [allocable](#) to the rental activity [?](#) .....  %
- Enter the % of payments on 2nd mortgage (if any) [allocable](#) to the rental activity .....  %
- Enter the monthly (1/12 of annual) [depreciation](#) (assumed straight line) .....\$
- Enter the amount of depreciation claimed to date (for use if property is [sold](#)) .....\$
- Enter the number of years [remaining](#) for depreciation .....
- Enter the % of depreciation [allocable](#) to Jill (same as ownership %) .....  %



# Family Law Software—Avoiding Common Errors

## Investments, Checking Accounts

- List accounts in this format: Bank Name, type, title, Last four digits of account number. ( This helps for doc prep and is what the lawyers are used to)
  - ◆ So like this: BofA chking Jt \*1234
- Make sure to put in Interest/Dividend and Appreciation rates. Savings accounts are paying again! For large cash amounts not invested, give them an assumed growth of 1% dividend and 5% growth since they SHOULD be invested. Otherwise your net worth will be understated.
- Make sure you know if it's paying interest (banks) or dividends (credit unions and money markets). The taxes are different.
- Be sure to put the SAME number as the Current Value in Tax Basis for checking and savings or FLS will assume it's all taxable.
- Airline miles, Credit Card Points, Carry Over Losses are all assets that could possibly be listed in this section

## Debts

- Use same description method as cash and investments
- If credit cards are used and paid off monthly, enter with zero balances.
- If cards will be paid off with divorce settlement assets, enter a balloon payment at 6. in More Info.

6. If the debt will be paid off with a balloon or bullet payment, enter the the month (1-12) and year (e.g. 2015) in which the payoff will occur. 🌐 .....

12 /

- My preference is to list car loans as debt, NOT as a lien on the Personal Property line for the car so cash flow is right.



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## Personal Items

- Cars, boats, trailers, household goods, gold, silver, stamps, timeshares, art antiques, etc. Select type in More Info.
- Remember cars are DEPRECIATING assets. In % Appreciation, you put a negative number. Divide 100 by the remaining years of life estimated. If a car has 100,000 miles and will likely only last 5 more years, your % Appreciation is  $-20\%$ .  $100/5$

## IRA/401k

- All IRA accounts, 401k, 403b, 457, Deferred Comp, Profit Sharing, Health Savings Accounts and Flexible Spending Accounts go here.
- Don't forget to enter the annual contributions of both employee and employer on 16-19 in More Info.

\*\*\*\*Change the age for distributions to start to age 60 instead of 70 if there are large retirement assets. Otherwise the retirement accounts will be reduced too much based on an artificially high retirement tax rate due to a crazy high RMD at age 70.

Annual Contributions to Schwab 401k	
16. Enter the dollar amount of Jill's annual contribution to this account .....	18,000
Optionally, enter a percent by which Jill's contribution will increase per year .....	%
Optionally, you may specify a maximum annual contribution here .....	
Number of years contributions will continue .....	10
<input type="checkbox"/> "X" if this contribution is non-deductible or nonqualified.	
17. Enter the dollar amount of Jill's employer's annual contribution to the account .....	13,000
Optionally, enter a % by which Jill's employer's contribution will increase .....	%
Optionally, you may specify a maximum annual contribution by the employer here .....	
18. Enter the dollar amount of JOhn's annual contribution to this account .....	
Optionally, enter a percent by which JOhn's contribution will increase per year .....	%
Optionally, you may specify a maximum annual contribution here .....	
Number of years contributions will continue .....	24
<input type="checkbox"/> "X" if this contribution is non-deductible or nonqualified.	
19. Enter the dollar amount of JOhn's employer's annual contribution to the account .....	
Optionally, enter a % by which JOhn's employer's contribution will increase .....	%
Optionally, you may specify a maximum annual contribution by the employer here .....	

20. If you wish to show projections of retirement distributions, please enter the following dates:	
Jill's birth date .....	02/03/1971
JOhn's birth date .....	04/23/1974
Age at which distributions will start for Jill .....	60
Age at which distributions will start for JOhn .....	60





# Family Law Software—Avoiding Common Errors

## Retirement accounts continued

- Use section 23 and 24 to detail any money that is coming out of retirement accounts with a QDRO or for any other reason.

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### Current Year Early Distribution From the Account

The following entries apply only if a party is going to make an [early distribution](#) from this retirement account in the current year in connection with the divorce. You may specify either dollar amount or percent-of-account. Note that a penalty may apply.

23. a. Enter amount Jill will cash out of the account now .....
- b. OR, enter the percent of Jill's account that will be cashed out of the account now .....
- c.  "X" here if this account is not an IRA; and the account belongs to JOhn; and the early distribution to Jill will be made under a [QDRO \(Why we ask\)](#)
- d.  "X" here if the account is a Roth IRA and the account has been open for 5 years or more.
- e. Enter the amount of this distribution that Jill is spending on a [qualified home](#) .....
- f. Enter the amount of this distribution that Jill is using to pay for [college](#) .....
- g. Enter any amount of this distribution that is exempt from the penalty under any other [provision](#) of law. ....



# Family Law Software—Avoiding Common Errors


Businesses—For any S Corps, LLC, C Corp, Rental properties held as LLC (sometimes).

Take your time and read EVERYTHING!!!

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## Pensions

- Enter the description, the owner and go straight to More Info.
- Age Participant Will Retire should always be the FULL Retirement age, not early.
- Item 14 is the number one reason your valuation will be wrong. Make sure it's correct.

13. Cut-off date; plan [no longer community](#) (often the separation date)  .....

[Termination before retirement?](#)

14. The benefit amount entered above assumes the participant works until [what date?](#)  
(Match the language on the administrator's pension benefits statement.)

The [cut-off \(separation\) date.](#)

The retirement date.

15. Result: Coverture fraction ([View/change calculation](#)) .....



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## Support

- For multiple kids, must manually enter step-downs.

### 1. Child Support:

Amount: \$  per    
Start Month/Year:  /   
End Month/Year:  /   
Who will be paying:

[Click here to enter child support step-downs.](#)

Initial support amount for this order: ..... \$    
Payments are .....  per week  per month  per year.  
Date that this level will start .....  /  (mm/yyyy)  
Date through which the initial level will continue .....  /  (mm/yyyy)  
Support tier 2 (e.g., stepped down when a child ages out) ..... \$  per month  
from:  /  to  /  (mm/yyyy)  
Support tier 3 (e.g., stepped down when a child ages out) ..... \$  per month  
from:  /  to  /  (mm/yyyy)

---

## Analysis and Negotiation

- Set Options can be handy

### Display Equalization Amount:

Show how far the parties are from 50/50.

### Select Graph To Display:

- Display asset allocation pie chart.  
 Display unallocated asset bar chart.

### Subtotals:

Include subtotals for asset classes.

### Separate Property Information:

- Include community and separate totals.  
 Include community and separate details for each asset.

### Property Settlement:

Include Property Settlements (not marked as Reimbursements) in totals.



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My Favorite, underutilized report! Not in the Menus!

But not for long!

## MAINTENANCE AFTER-TAX

### After-Tax Cost/Benefit of Spousal Maintenance



["How to" Video](#)

[Click here to enter or change spousal maintenance.](#)

#### After-tax cost of Spousal Maintenance to payer JOhn

	2018	2019
1. Spousal Maintenance payment by JOhn, per year .....	\$36,000	\$36,000
2. Federal tax savings, per year	\$11,345	\$12,354
3. State tax savings, per year	\$1,527	\$1,555
4. After-tax cost to JOhn of Spousal Maintenance ( <i>lines 1 - 2 - 3</i> ) .....	\$23,128	\$22,091
5. 2019 alimony paid per month ( <i>1/12 of line 1</i> ) .....		<b>\$3,000</b>
6. 2019 after-tax cost to JOhn of Spousal Maintenance per month ( <i>1/12 of line 4</i> ) .....		<b>\$1,841</b>

#### After-tax benefit of Spousal Maintenance to recipient Jill

1. Spousal Maintenance received by Jill, per year .....	\$36,000	\$36,000
2. Additional Federal tax to be paid, per year	\$12,600	\$12,767
3. Additional state tax to be paid, per year	\$1,635	\$1,664
4. Net benefit of spousal maintenance income to Jill after tax ( <i>lines 1 - 2 - 3</i> ) .....	\$21,765	\$21,569
5. 2019 alimony received per month ( <i>1/12 of line 1</i> ) .....		<b>\$3,000</b>
6. 2019 after-tax benefit to Jill of Spousal Maintenance per month ( <i>1/12 of line 4</i> ) .....		<b>\$1,797</b>



Then click the "Print" or "PDF" button at the very top of the screen.

## Reports:

- Reports (*click on any link below to preview*)
  - [\(1\) Division of Community Property](#)
  - [\(2\) Community Property Division on an After-Tax Basis](#)
  - [\(3\) Projected Net Income After Expenses and Taxes](#)
  - [\(4\) Projected Net Worth](#)
  - [\(5\) Budget Report](#)
  - [\(6\) Spreadsheet for Net Income After Expenses and Taxes](#)
  - [\(7\) Net Worth Spreadsheet](#)
  - [\(8\) View/Edit Taxes](#)
  - [\(9\) Key Entries and Assumptions](#)
  - [\(10\) Community and Separate Property](#)
  - [\(11\) Pension Valuation](#)
  - [\(12\) Budget Report for Children](#)
  - [\(13\) Business Assets](#)