

October 2017

COLLABORATIVE Practice Tips

A monthly bulletin from the CP Cal Practice Excellence Committee

The Practice Excellence Committee is pleased to offer tips to help you increase your Collaborative cases and achieve *practice excellence*.



Please send us your comments and questions! Email us at info@cpcal.com

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Financials Are Educators, too! How the Financial Neutral Helps the Process

It is a fact that for most of our clients, their divorce will be the largest financial transaction of their lifetime and the fear and anxiety that this can create is often a major stumbling block to reaching solutions. So, how can the financial neutral help address these concerns?

The role of the financial neutral is to gather all the financial data and to educate both the clients and the team so that all involved can fully understand the "financial pie" before they start to divide it. This is of paramount importance if one spouse has been less involved in the money during the marriage to level the playing field in terms of understanding their financial circumstances.

There are five basic components that go in to the financial planning process: cash flow, investments, tax planning, retirement planning and estate planning. Here are some of the ways the financial neutral can assist the process.

Tip #1

Cash Flow. We all know that an alarming number of American families live beyond their means and cash flow is always negatively impacted when one household has to become two. The starting point should always be a detailed budget, not only of existing circumstances but also projecting what expenses will look like post-divorce.

Tip #2

Investments. Do both clients fully understand what their money is invested in? Have they both been involved equally in the decision to make those investments? Usually the answer this question is a resounding "No!" since spouses generally divide responsibilities during a marriage. Having someone on

the team who is experienced in explaining the complexities of today's financial instruments is essential to provide clients with the information they need to be able to negotiate effectively. Also, it is essential that clients understand the differences between tax-deferred retirement accounts and after-tax investments and savings when it comes to considering offsets.

Tip #3

Tax Planning. Do the clients fully understand how taxes regarding spousal support will impact their cash flow? How can we best use the child exemptions to benefit the couple? Should the clients file joint or separate returns for the current year? The financial neutral should work with the clients' tax advisors to first confirm that we understand their circumstances and then work with both to explain how the divorce will change their situation.

Tip #4

Retirement Planning. A client's retirement savings is often the first casualty of a divorce when cash flow becomes tight and the monthly contribution to the 401(k) can be the first thing to go. Concerns about future financial security can undermine the ability of a client to engage in the Collaborative process so addressing retirement can become necessary.

Tip #5

Estate Planning. During the divorce issues of estate planning will often arise especially when we come across a need to care for elderly parents or perhaps children with special needs. Additionally, clients should be educated on the need to redo their estate planning post-divorce.

Having a financial specialist on the team who has a good working knowledge of all of these components and who can assist the clients with projecting how any settlement proposals being considered might impact their long-term financial well-being will lead to more informed clients being more realistic about their financial future and making better decisions.



CP Cal and the Practice Excellence
Committee would like to wish all of
you and your families a warm
holiday season!

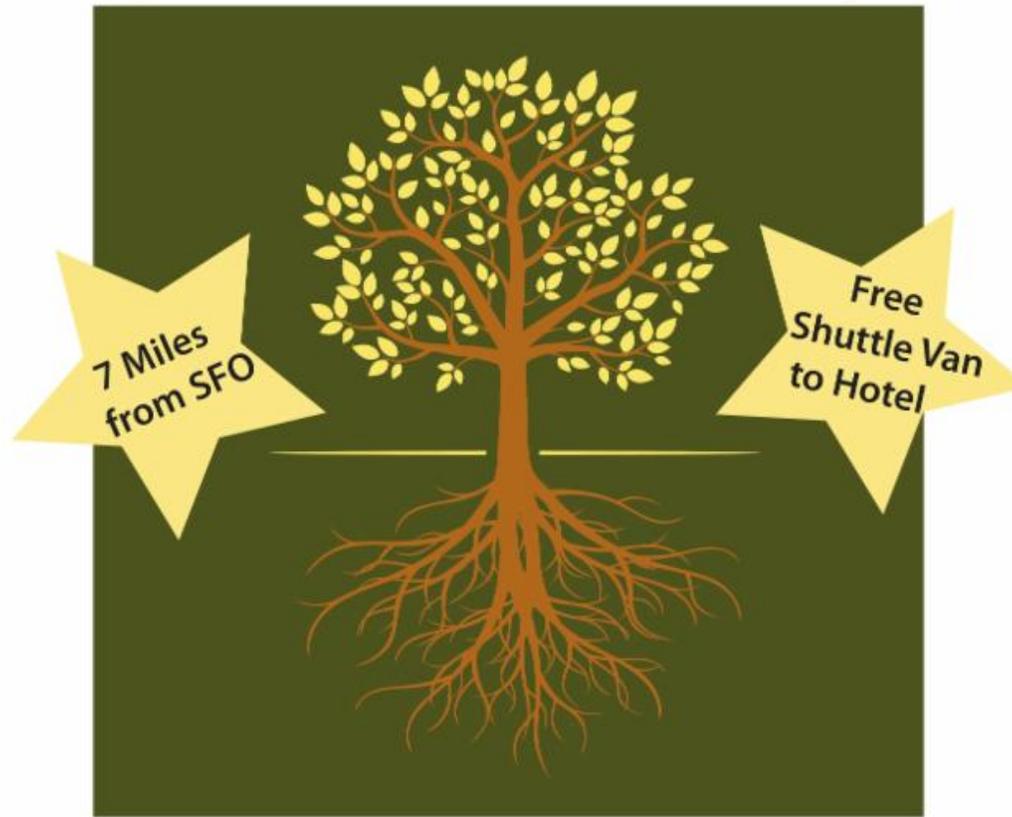


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The Roots and Branches of Collaborative Practice

April 27- 29, 2018, San Mateo Marriott, San Francisco Airport



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Be sure to visit our website <http://www.cpcal.org> in January 2018 for more information and registration

For more information please contact Erin Keller at erin@cpcal.com or 415-399-8393



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