

# COLLABORATIVE Practice Tips

## November 2022

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](mailto:info@cpcal.com)

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### **Walking Through the Maze of Retirement and Deferred Compensation Plans – Part I**

We sat down one of our collaborative financial planners to get a primer in retirement and deferred compensation plans so that we could share information that might assist our collaborative teams. Below is a general outline of retirement benefit concepts and is not meant to encompass all the complexities of retirement benefits.

**Defined Benefit Plans:** A plan that is constructed where the employee receives a monthly benefit at retirement. Some Defined Benefit Plans consist of contributions made just by the employer; other plans include a combination of contributions from the employee and the employer. The best way to spot a Defined Benefit Plan is to look for plans that provide a monthly payment structure at and after retirement.

The value of a Defined Benefit Plan has a present value that might be used in negotiations. It also has an estimated monthly benefit to factor into negotiations. Some Defined Benefit Plans will distribute a lump sum at time of distribution (via DRO or QDRO (see below)).

**Defined Contribution Plans:** A plan wherein contributions are typically made by the employee; and the employer may add contributions if the employee is making contributions, but the employer is only required to do so if the plan

document so specifies. Defined Contribution Plans do not have a defined monthly distribution guarantee akin to the Defined Benefit Plan.

The value of a Defined Contribution Plan at retirement has cash / investment value that will vary depending on investment results.

Examples of Defined Contribution Plans include, but are not limited to, the following:

401(k), 403(b) Plan, Thrift Savings Plan, 457 Plan, 459 Plan, Profit Sharing Plan, etc.

Plan Document: The Plan Document defines the terms for each type of plan, including options for settlement. The administrator of the Plan is tasked with protecting the integrity of the plan as drafted.

A Domestic Relations Order (“DRO”) or a Qualified Domestic Relations Order (“QDRO”) formally divides plans that are governed by the entity that employs the individual and has adopted the plan.

For example, DRO’s are implemented for plans adopted by Cities, Police Departments, State Police Departments, School Districts, non-profit organizations, etc.

For example, QDRO’s formally divide plans that are governed by federal law (ERISA) and implemented by for profit organizations (i.e. 401(k) and Profit Sharing Plans, etc.).

Plan Documents are specific to each Plan / employer and are very technical. It is recommended to use a specialist to draft any DRO and/or QDRO required for the distribution of a community interest in any Plan being divided by a couple. This will ensure that the DRO / QDRO protects the clients and complies with the strict requirements imposed by each Plan.

Stay tuned for Part II where we outline options for distribution from and/or division of retirement and deferred compensation plans.

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## **From the PEC:**

### Divorce Options Marketing Message for the Holidays

Here’s some copy for your social media posts this month. Feel free to modify or “steal.”

### Waiting Until After the Holidays to Begin Your Divorce?

Many couples postpone even talking about divorce during the holidays, but that doesn’t mean that one or both members of the couple aren’t thinking about it. This is why we continue to offer our monthly Divorce Options Class in

November and December. We provide solid information about the processes you can take, the issues you'll face, and how to address the emotional challenges of divorce...so you can breathe, get through this short period of time, and begin in the new year with relative strength, calm, and dignity. Your divorce doesn't have to be a disaster. Honest.



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