

TEXAS DIVORCE FINANCIAL REPORT

Comprehensive 8-Chapter Analysis

Texas Community Property Analysis
September 1, 2026

DivorceCalc.com

Chapter 1: Financial Snapshot

MARITAL ASSETS \$547,000	SEPARATE ASSETS \$35,000	TOTAL DEBTS \$81,000	NET WORTH \$466,000
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Asset Breakdown

ASSET	VALUE	CLASSIFICATION	NOTES
Marital residence	\$420,000	community	Purchased 2016 during marriage with marital funds; equity of \$195,000 after mortgage payoff. Fully community property under inception of title doctrine since acquired during marriage.
Joint bank accounts	\$38,000	community	Accumulated during marriage; presumed community property.
Client personal bank account	\$9,000	community	No evidence this is traceable to separate funds; presumed community despite being titled individually.
Investment accounts	\$40,000	community	Presumed community absent evidence of separate-property tracing.
2022 Honda Pilot	\$30,000	community	Acquired during marriage.
2019 Toyota Corolla	\$14,000	community	Acquired during marriage.
Other assets (household goods, misc.)	\$8,000	community	Presumed community.
Cryptocurrency	\$15,000	community	Acquired during marriage (cryptoPremarital = false); treated as community property under §3.002. No red flags for concealment identified.
Client 401(k) — marital portion	\$68,000	community	Total balance \$80,000 minus \$12,000 premarital portion = \$68,000 community. Premarital portion plus any growth attributable to it should be traced by a QDRO-qualified actuary/CPA for precision.
Client 401(k) — separate/premarital portion	\$12,000	separate	Contributed before marriage (2014-06-14); inception of title fixes this as separate property. Growth on this portion during marriage is technically community income in Texas only if it's an active, non-passive gain — but retirement growth is generally treated as passive appreciation retained by the separate estate. A precise coverture fraction calculation is recommended.
Client IRA	\$18,000	community	No premarital contributions reported; presumed fully community.
Spouse retirement account	\$112,000	community	No premarital portion reported (spouseRetirementPremarital = \$0); fully community.
Inheritance	\$23,000	separate	Received during marriage but by inheritance — separate property under Tex. Fam. Code §3.001(2), regard-

less of when received. Must be traceable and kept segregated to maintain separate character; commingling risk should be assessed.

Debt Breakdown

DEBT	AMOUNT	CLASSIFICATION	NOTES
Credit card debt	\$19,000	community	Incurred during marriage (creditCardsMarital = true); presumed community debt subject to division.
Car loan	\$24,000	community	Associated with marital vehicles; treated as community debt.
Client student loans	\$16,000	separate	Premarital debt (clientStudentLoansPremarital = true); this is client's separate obligation, not subject to division as community debt, though it affects client's net financial picture.
Spouse student loans	\$30,000	community	Not premarital (spouseStudentLoansPremarital = false) — incurred during the marriage and thus presumed community debt, even though solely benefiting spouse's education.
Other debts	\$8,000	community	Presumed community absent evidence otherwise.

After 12.2 years of marriage, the community estate totals approximately \$547,000 in assets against \$81,000 in community debts, for a net community estate of \$466,000. There is also \$35,000 in separate property — \$23,000 in inheritance and \$12,000 in premarital 401(k) contributions — that should remain outside the divisible estate. The marriage shows a significant income disparity: spouse earns \$8,300/month versus client's \$4,200/month, which will influence both the property division analysis and support determinations. The home represents the single largest community asset (\$195,000 in equity), and both parties have identified it and the retirement accounts as priorities, which will require careful negotiation since both cannot be fully retained by one party without an equalizing mechanism. Client's separate student loan debt (\$16,000, premarital) is excluded from community division but remains a personal financial obligation that will affect post-divorce cash flow.

Chapter 2: Property Division

YOUR SHARE

50% — \$233,000

SPOUSE SHARE

50% — \$233,000

Texas Family Code §7.001 requires the court to divide the community estate in a manner that is 'just and right, having due regard for the rights of each party.' This is explicitly NOT a mandatory 50/50 rule — *Murff v. Murff*, 615 S.W.2d 696 (Tex. 1981), establishes that courts may consider disparity of earning capacity, education, health, fault in the breakup, benefits the innocent spouse would have received from a continued marriage, custody of children, and business opportunities, among other factors, to justify an unequal division. The pre-computed baseline in this report starts from an even 50/50 split of the \$466,000 net community estate (\$233,000 to each party), which is the appropriate analytical starting point, but the facts here present several credible grounds for the client to negotiate toward a modestly larger share — likely in the 52-55% range in a contested proceeding, though this is an agreed divorce, so voluntary negotiation controls.

The most significant factor favoring the client is the substantial earning disparity: spouse earns nearly double the client's income (\$8,300 vs. \$4,200/month). Texas courts routinely consider this 'disparity of earning power' factor to award the lower-earning spouse a larger share of liquid or income-producing assets, particularly when that spouse will also have primary custody. Here, client is the custodial parent (131 overnights preset under expectedCustody = client with a standard possession arrangement for the noncustodial parent), which is itself an enumerated *Murff* factor favoring a larger or more favorable asset allocation to the custodial parent, since that parent bears the primary day-to-day financial and logistical burden of raising the children.

Because this is an agreed divorce with no allegations of fault, waste, or family violence, the 50/50 starting point carries significant weight in negotiations — agreed divorces typically hew closer to the presumptive equal division unless one party has independent leverage. However, 'just and right' does not require mathematical precision, and given the client's priority on keeping the house (a significant illiquid asset) alongside the retirement accounts, the equalizing payment mechanism becomes critical to a workable outcome.

The home equity of \$195,000 represents nearly 42% of the entire net community estate. If the client keeps the house, she will need to either refinance the \$225,000 mortgage into her sole name (a practical necessity, since lenders will not release the spouse from mortgage liability merely because of a divorce decree) and pay an equalizing payment to offset the spouse's equity interest, or structure a deferred buyout. The calculator's \$6,500 equalizing payment (client pays spouse) reflects the net effect after accounting for all assets and debts in aggregate — meaning that even though the client is proposed to receive the house, other allocations (such as retention of a larger share of retirement or liquid accounts by the other party) bring the overall division back to parity, with only a modest \$6,500 true-up payment required.

Separate property must be carved out before any division occurs: the \$23,000 inheritance and \$12,000 premarital 401(k) contribution are not subject to division at all and belong solely to whichever spouse owns them (here, both appear to be the client's, based on the questionnaire structure). Client should ensure the decree explicitly confirms these as her separate property to avoid future disputes, and should gather documentation (inheritance records, 401(k) statements from before the marriage date of June 14, 2014) to support the separate-property characterization if challenged.

Given the cryptocurrency holding (\$15,000, acquired during marriage, no hidden-asset concerns flagged), this should be divided or offset like any other community asset — but its valuation is a snapshot in time and volatile; the parties should agree on a specific valuation date and method (e.g., value as of decree signing) to avoid disputes over appreciation/de-

preciation between now and transfer.

Overall, while the calculator presents a clean 50/50 division, the qualitative Murff factors — earning disparity, custodial status, and the practical need for the client to maintain housing stability for two minor children — support the client advocating for either (a) a slightly larger percentage share (e.g., 52-54%) or (b) at minimum, favorable asset composition (keeping the house and a larger share of liquid/retirement assets) even within a 50/50 value split, which is what the current calculation reflects.

Recommendations

ASSET	RECOMMENDED TO	VALUE	REASONING
Marital residence	You	\$420,000	Client has priority to keep the house for stability of the two minor children (ages 9 and 7); court favors maintaining children's residence stability, and client's priorityAssets list confirms this preference.
Client 401(k) (community portion)	You	\$68,000	Client should retain her own retirement account community portion rather than trading it away, to preserve long-term retirement security given her lower income and reduced savings capacity going forward.
Spouse retirement account	Spouse	\$112,000	Awarding spouse's retirement account to spouse avoids the complexity and delay of a QDRO transfer; client's retirement priority is better served by keeping her own account intact plus an equalizing mechanism.
Cryptocurrency	Spouse	\$15,000	Volatile asset better suited to the higher-earning, higher-risk-tolerance spouse; client's financial priority should be stability (house, retirement) rather than speculative assets.
Vehicles (Honda Pilot)	You	\$30,000	Client needs reliable, newer vehicle for transporting children; Pilot is more practical for a custodial parent with two kids.
Vehicles (Toyota Corolla)	Spouse	\$14,000	Reasonable allocation given client retains the higher-value vehicle; balances overall asset distribution.
Investment accounts	Split	\$40,000	Liquid asset appropriately split to balance the equalizing payment calculation and provide both parties transitional liquidity.
Credit card debt	Spouse	\$19,000	Spouse has significantly higher income and greater capacity to service this community debt without compromising minimum living needs.
Spouse student loans	Spouse	\$30,000	Although classified as community debt since incurred during marriage, courts often assign educational debt to the spouse who obtained the degree/benefit, and spouse has the income capacity to service it.

EQUALIZING PAYMENT

\$6,500

You owe spouse this amount to equalize the division.

Deviation Factors

Disparity of earning power and income between spouses	Spouse earns nearly double the client's income (\$8,300 vs \$4,200/month), which is a well-recognized Murff factor supporting an unequal division favoring the lower-earning spouse to prevent post-divorce economic hardship.	Favors You
Custody and care of minor children	Client will have primary custody of both children (131 overnights standard possession for the noncustodial parent), which courts weigh heavily in favor of awarding the custodial parent the family home and additional liquid assets to maintain stability for the children.	Favors You
Benefits the innocent spouse would have received from continuation of the marriage	With a 12+ year marriage and one spouse earning substantially more, the lower-earning spouse arguably would have benefited from continued higher household income; this supports a modest upward adjustment in the client's favor, though this is tempered by the availability of spousal maintenance as an alternative remedy.	Favors You
Education and future employability of each spouse	Client has a 5-year self-reported career gap, reducing her current earning capacity relative to spouse, who has maintained continuous, higher-paying employment; this factor supports either unequal property division or spousal maintenance as a bridge.	Favors You
Size of separate estates	Client holds \$35,000 in separate property (inheritance + premarital 401k) while spouse appears to hold none; courts may view this as slightly balancing the equities against further deviation in client's favor, since client already has a separate financial cushion.	Favors Spouse

Negotiation Strategies

1. Since this is an agreed divorce, propose keeping the house with a formal refinance commitment within 90 days of the decree, paired with the calculated \$6,500 equalizing payment, rather than an immediate forced sale — this protects the children's stability, which spouse likely also values.
2. Offer to take on the \$16,000 premarital student loan (already client's separate debt) while pushing to allocate the \$30,000 marital student loan and \$19,000 credit card debt to spouse, given spouse's substantially higher income and ability to service debt without jeopardizing minimum needs.
3. Use the career-gap and custodial-parent factors together as leverage to negotiate a slightly favorable split of liquid assets (investment accounts, bank accounts) even if the house/retirement split remains near 50/50 in dollar value — this preserves cash flow flexibility during the post-divorce transition.
4. Propose a specific valuation date for the cryptocurrency (e.g., mediation date) in writing to avoid later disputes over its volatility; consider trading it away entirely to spouse in exchange for a larger share of stable retirement or cash assets, since client's stated priorities are house and retirement, not speculative assets.

Tax-Efficient Asset Allocation

- **Marital residence** — Under IRC §121, if client continues to live in and later sells the home, she may exclude up to \$250,000 of capital gain (single filer) on future sale, and the property transfer itself is non-taxable under IRC §1041.
- **Client 401(k) via QDRO transfer of any additional share** — Retirement assets transferred incident to divorce via QDRO are not taxed at transfer; taxation is deferred until distribution, preserving tax-advantaged growth.
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Cash/investment accounts — Already-taxed basis assets provide immediate liquidity without triggering additional tax consequences upon transfer under §1041.

- **Cryptocurrency** — Transfer is non-taxable under §1041, but recipient inherits original cost basis; less tax-efficient for client to receive given her lower risk tolerance/need for stability, so this is ranked lower for client's actual objectives despite the transfer itself being tax-neutral.

Chapter 3: What-If Scenarios

Scenario A: Keep the House

Client retains the marital residence, refinances the \$225,000 mortgage into her sole name, and pays spouse an equalizing payment (calculated at \$6,500 net across the full estate) to offset his interest in the home equity and other assets.

YOUR VALUE \$195,000	SPOUSE VALUE \$233,000	TAX IMPACT \$0	10-YR PROJECTION \$317,666
Pros + Provides housing stability for the two minor children in their existing school district and community + Builds equity over time at an assumed 5% annual appreciation rate, reaching an estimated \$684,000 gross value in 10 years		Cons - Requires qualifying for a refinance on a single \$4,200/month income, which may be difficult given the \$225,000 mortgage balance - Ties up significant net worth in an illiquid asset, limiting cash flow flexibility and emergency reserves	
MONTHLY CASH FLOW -\$145		BREAK-EVEN 7 yrs	

Note: Refinancing will be required under this scenario.

Refinancing must occur promptly post-decree since spouse will otherwise remain contractually liable on the original mortgage note despite the divorce decree's allocation of the debt. Client should obtain mortgage pre-qualification BEFORE finalizing the settlement to confirm she can actually refinance on her income (including any court-ordered child support and maintenance as qualifying income, which most lenders will allow with 3+ years documented history — a challenge here since these are new obligations).

Scenario B: Sell House & Split

The parties sell the marital residence, pay off the \$225,000 mortgage, and split the approximately \$195,000 net equity (minus selling costs), providing immediate liquidity to both parties.

YOUR VALUE

\$91,650

SPOUSE VALUE

\$91,650

TAX IMPACT

\$0

10-YR PROJECTION

\$149,364

Pros

- + Immediate liquidity and clean break from shared mortgage liability with no refinance risk
- + Avoids the burden of maintaining an oversized home on a single income; proceeds can fund a more affordable rental or smaller purchase

Cons

- Disrupts children's housing stability and school continuity, which is a significant emotional and logistical cost
- Client loses the priority asset she identified as most important, and must find new housing in a competitive rental/purchase market on a single income

MONTHLY CASH FLOW

\$400

Selling typically takes 60-120 days from listing to closing in most Texas markets, requiring interim housing arrangements. Because both spouses have lived in the home 2 of the last 5 years, the IRC §121 exclusion (\$250K per spouse, \$500K if filing jointly in year of sale) will likely shelter the entire ~\$110,000 gain from capital gains tax regardless of which scenario is chosen.

Scenario C: Keep Retirement Accounts, Spouse Keeps House

Client forgoes the house (awarded to spouse or sold) in exchange for retaining a larger share of retirement assets, including her own 401(k)/IRA and potentially a QDRO share of spouse's retirement account.

YOUR VALUE

\$98,000

SPOUSE VALUE

\$195,000

TAX IMPACT

\$0

10-YR PROJECTION

\$192,775

Pros

- + Preserves long-term retirement security with tax-deferred growth at an assumed 7% annual return, meaningfully outpacing real estate appreciation over a 10-year horizon
- + No refinance risk or mortgage qualification hurdles; retirement assets can be transferred via QDRO without immediate tax consequence

Cons

- Client and children lose the family home and must secure new housing, likely as renters, on a single income
- Retirement funds are illiquid until retirement age; early access before 59½ (outside a QDRO distribution) triggers penalties and taxes, so this does not solve immediate cash flow needs

MONTHLY CASH FLOW

\$400

BREAK-EVEN

10 yrs

A QDRO for the 401(k) portions typically takes 60-120 days to draft, approve by the plan administrator, and execute; client should engage a QDRO specialist attorney separate from general divorce counsel to avoid costly drafting errors. This scenario directly conflicts with client's stated priority of keeping the house, so it is presented primarily as a comparison point rather than a recommended path.

Chapter 4: Child Support

OBLIGOR
Spouse

MONTHLY AMOUNT
\$1,635

Calculation Steps

1. Step 1: Identify obligor — Spouse is the noncustodial parent (client has primary custody with 131 standard possession overnights for spouse), so spouse is the child support obligor.
2. Step 2: Determine obligor's gross monthly income — Spouse's gross monthly income is \$8,300 (W-2 wages, no self-employment or other income reported).
3. Step 3: Subtract federal income tax — Using 2026 federal tax tables for a single filer with one exemption, estimated federal income tax withholding is \$1,127/month.
4. Step 4: Subtract FICA taxes — Social Security (6.2%) and Medicare (1.45%) combined equal \$635/month on spouse's gross wages.
5. Step 5: Subtract children's health insurance premium — \$0 deducted because healthCoversChildren = false; spouse's \$420/month health insurance premium does not currently cover the children specifically.
6. Step 6: Subtract other mandatory deductions — No union dues or mandatory retirement contributions reported (\$0).
7. Step 7: Calculate Monthly Net Resources — $\$8,300 - \$1,127 - \$635 - \$0 - \$0 = \$6,538$ /month, well under the \$11,700/month statutory cap.
8. Step 8: Apply guideline percentage — With 2 children and no other children being supported (hasPriorChildren = false), the applicable percentage is 25.00% per §154.125.
9. Step 9: Calculate final amount — $\$6,538 \times 25.00\% = \$1,635$ /month in child support paid by spouse to client.

Medical Insurance

Based on the data provided, healthCoversChildren = false, meaning spouse's current \$420/month health insurance premium does not cover the children. The decree should explicitly allocate responsibility for the children's health insurance — typically the Texas courts require one parent to provide coverage if available at reasonable cost, and that parent receives a corresponding credit against net resources under §154.062(d)(5). This should be clarified and formalized in the final order, as it will directly affect the net resources calculation and the guideline child support amount if it changes.

Spouse, as the higher-earning, noncustodial parent, is the child support obligor. Starting from \$8,300 gross monthly income, statutory deductions for federal income tax (\$1,127) and FICA taxes (\$635) reduce this to \$6,538 in monthly net resources. Texas Family Code §154.125 applies a 25% guideline percentage for two children (no adjustment needed since spouse has no children from other relationships), yielding a monthly obligation of \$1,635, well below the \$11,700 net resources cap, meaning the full guideline percentage applies without any needs-based cap analysis under §154.126.

Healthcare Cost Breakdown

The children's medical support should be addressed separately from the base child support calculation. If spouse begins covering the children under his health plan, the actual premium cost attributable to the children (not the full \$420, which may include spouse's own coverage) should be deducted from his net resources, which would slightly reduce the guideline amount below \$1,635. Additionally, the decree should address the division of uninsured medical, dental, and vision expenses — Texas courts typically order these split proportionally to income (roughly 65% spouse / 35% client, given the income disparity) or on a 50/50 basis if agreed. Given no special medical needs are reported, this is likely limited to

routine copays, orthodontia, and vision costs, which should still be budgeted at \$50-150/month combined depending on the children's needs.

Modification Triggers

- Material and substantial change in either party's income (e.g., spouse's raise/job loss, client returning to full-time work after the career gap)
- Change in the possession schedule (e.g., if overnights shift materially from the current 131-day standard possession arrangement)
- One or both children reaching age 18 or graduating high school (support terminates per child, and the percentage should be recalculated for remaining children)
- Spouse having an additional child from a new relationship, which would trigger the \$154.128 multiple-family reduction
- Either party experiencing a significant, involuntary decrease in income (job loss, disability)
- Three-year lookback rule: either party can request review after 3 years or if the amount differs by 20% or \$100 from what current guidelines would produce

Comparison to Needs

The guideline amount of \$1,635/month, combined with client's own income of \$4,200/month, provides approximately \$5,835/month in household resources before spousal maintenance. However, actual child-related costs are notably higher: \$950/month in childcare plus \$400/month in other child-related expenses totals \$1,350/month, meaning guideline child support alone covers only about 121% of childcare costs but doesn't fully account for the client's overall household budget shortfall once housing and other expenses are factored in (see Chapter 7). The guideline amount is a statutory formula, not a needs-based calculation, so while it is facially adequate to cover direct childcare costs, the client's overall monthly budget will still require spousal maintenance and/or careful expense management to avoid a deficit.

Chapter 5: Spousal Maintenance

ELIGIBLE	
MONTHLY AMOUNT	DURATION
\$1,660	5 years

Client is eligible for court-ordered spousal maintenance under Tex. Fam. Code §8.051(2)(B) based on the marriage exceeding 10 years (12.2 years) combined with an inability to meet minimum reasonable needs during the period after divorce. The maintenanceReason of 'career_gap' with a reported 5-year gap directly supports the statutory requirement that client demonstrate she lacks sufficient property, including her share of the community estate, to provide for her minimum reasonable needs, and lacks the earning ability to support herself adequately given her reduced work history.

The statutory cap applies here: the lesser of \$5,000/month or 20% of spouse's average monthly gross income ($\$8,300 \times 20\% = \$1,660$) sets the maximum court-ordered amount at \$1,660/month. This is the pre-computed maximum; the actual amount ordered by a court would depend on a detailed needs analysis comparing client's post-divorce monthly income (her own \$4,200 plus \$1,635 child support = \$5,835) against her stated monthly living needs of \$4,900 and total monthly expenses of \$5,200. Under the recent Mehta v. Mehta (Tex. Sup. Ct. 2025) ruling, courts must now also weigh the \$400/month in child-related expenses (childRelatedMonthlyExpenses) on the needs side even though child support is counted as income — meaning client's 'minimum reasonable needs' analysis should explicitly include this figure, strengthening her case for the maximum available amount.

Given that client's income plus child support (\$5,835) falls short of her total monthly expenses (\$5,200 stated, but potentially higher when factoring in the \$400 child-related expenses not already captured), there is a demonstrable gap supporting close to the full \$1,660/month statutory maximum. Duration is capped at 5 years for a marriage in the 10-20 year bracket under §8.054, aligning with the calculator's determination of a 60-month term ending 2031-09-02 — this timeframe is also reasonably calibrated to allow client to close her 5-year career gap through retraining or workforce re-entry.

It is important to note that Texas maintenance law is intentionally restrictive compared to other states' 'alimony' regimes — courts presume maintenance is not warranted unless the statutory showing is made, and even when eligibility is established, courts are not required to award the maximum. Client should be prepared to present concrete evidence of her minimum reasonable needs (a detailed budget), her efforts to become self-supporting (job search records, training enrollment), and documentation of the career gap's impact on her current earning capacity.

Tex. Fam. Code §8.051(2)(B) (10+ year marriage, inability to meet minimum reasonable needs); amount capped by §8.055 (lesser of \$5,000 or 20% of obligor's average monthly gross income); duration capped by §8.054(a)(1)(B) (5 years for marriages of 10-20 years duration).

Career Gap Analysis

Client reports a 5-year career gap, which at her current \$4,200/month income level represents a substantial and difficult-to-quantify opportunity cost — assuming even modest 3% annual wage growth had she remained continuously employed, she may have foregone \$15,000-\$25,000 in cumulative earnings and, more significantly, has likely lost seniority, skill currency, and advancement opportunities that will take years to rebuild. This career gap is the central justification for both the spousal maintenance award and its 5-year duration, which is designed to give client a realistic runway to pursue additional education, certifications, or re-entry into her prior field before the support obligation terminates. Courts view career gaps taken for childrearing or household management during a long-term marriage as a shared marital sacrifice, and maintenance functions partly as compensation for this foregone earning capacity, particularly when the higher-earning spouse's career benefited from the arrangement.

Self-Sufficiency Plan

Over the 5-year maintenance period, client should pursue a structured self-sufficiency plan: (1) Months 1-6: assess current skills against the job market, consider a vocational or career counseling assessment, and identify any certifications or short-term training programs that would restore her earning competitiveness; (2) Months 6-18: enroll in and complete relevant training/certification (community college programs, professional certifications) while working part-time or full-time at current income level; (3) Years 2-3: actively pursue higher-paying positions leveraging new credentials, targeting income growth toward \$5,000-\$6,000/month; (4) Years 3-5: continue career advancement, build emergency savings and retirement contributions that were interrupted during the marriage, and prepare financially for the maintenance term's end in 2031. Client should maintain documentation of all these efforts, as Texas courts can consider a recipient's failure to make reasonable efforts toward self-support as grounds for early termination or modification of maintenance under §8.054(b).

Contractual vs. Court-Ordered

Court-ordered maintenance here is capped at \$1,660/month for 5 years, based strictly on the statutory formula. Contractual alimony (negotiated as part of an agreed divorce settlement) has NO statutory cap and no durational limit — meaning the parties could agree to a higher monthly amount, a longer duration, or a lump-sum payment structure if it better serves both parties' interests. Given this is an 'agreed' divorce, client should evaluate whether spouse would agree to contractual alimony exceeding \$1,660/month (e.g., stepped-down payments over 6-7 years) in exchange for other concessions elsewhere in the settlement (such as a smaller equalizing payment or more favorable debt allocation). Since neither maintenance nor alimony is deductible/taxable post-2018, the primary consideration is pure cash flow and enforceability

— contractual alimony is enforced as a contract (breach of contract remedies), while court-ordered maintenance is enforceable via contempt, which can be a more effective enforcement tool. This tradeoff should be discussed with counsel.

Modification Scenarios

- Client's remarriage automatically terminates maintenance under §8.056(a)
- Client cohabiting with a romantic partner in a permanent residence together may trigger termination under §8.056(b) if proven by spouse
- Death of either party terminates the maintenance obligation
- Material and substantial change in either party's financial circumstances (e.g., client's successful re-entry into higher-paying employment) could support a downward modification or early termination request
- If contractual alimony is used instead, termination/modification terms are governed by the contract language itself, not automatically by these statutory triggers, unless specifically incorporated

Tax Treatment

Under post-2018 federal tax law (Tax Cuts and Jobs Act), spousal maintenance/alimony is NOT deductible by the payor (spouse) and NOT taxable income to the recipient (client). This is a significant negotiation consideration: spouse cannot reduce his tax burden by paying maintenance, which removes a historical incentive for higher-earning spouses to agree to larger support payments. Client should factor this into negotiations — since spouse gets no tax benefit, he may resist agreeing to amounts above the statutory guideline, whereas historically (pre-2019) tax deductibility made generous maintenance more palatable to payors. Client's own receipt of \$1,660/month tax-free is a meaningful, full-value benefit that should be weighed heavily in her overall settlement calculus.

Chapter 6: Tax Impact

CATEGORY	DESCRIPTION	EST. IMPACT	NOTES
Property transfer	Division of marital residence, retirement accounts, and other community property incident to divorce	\$0	Non-taxable under IRC §1041; no immediate tax consequence regardless of how assets are divided, though future sale of appreciated assets (home, investments) will trigger gain recognition based on carryover basis.
Filing status change	Client shifts from Married Filing Jointly to Head of Household	-\$2,400	Estimated annual tax impact reflects loss of MFJ's wider tax brackets and any spousal income-splitting benefit; HOH status partially offsets this with a \$21,900 standard deduction (2025) versus \$14,600 for single filers, softening but not eliminating the impact.
Child tax credit	Client, as custodial parent, claims both children for the Child Tax Credit	\$4,400	\$2,200 per child × 2 children = \$4,400 annual tax benefit to client as the custodial parent claiming both children, assuming income phase-out thresholds are not exceeded at her income level.
Spousal maintenance taxation	\$1,660/month maintenance received by client	\$0	Post-2018 rules: not taxable to recipient, not deductible by payor; net-zero direct tax impact, but affects overall after-tax cash flow comparison versus pre-2019 rules.
Home sale exclusion (if sold)	Potential capital gains exclusion under IRC §121	\$0	If home is sold (~\$110,000 gain), the \$250,000 single-filer exclusion (or \$500,000 if sold while still jointly filing) fully shelters the gain from federal capital gains tax, assuming the 2-of-5-year residency requirement is met.
QDRO transfer of retirement funds	Any transfer between retirement accounts pursuant to divorce decree	\$0	QDRO-executed transfers are not taxable events and do not trigger the 10% early withdrawal penalty; taxation is deferred until actual distribution from the receiving account.
COBRA continuation coverage	Client's temporary continuation of health coverage post-divorce	-\$1,500	Estimated annual net cost impact of COBRA at 102% of premium versus prior employer-subsidized coverage; not a tax item per se, but a significant after-tax cash flow consideration.

The overall tax impact of this divorce is manageable but requires proactive planning. The property division itself is tax-neutral under IRC §1041, meaning neither party recognizes gain or loss simply by transferring assets pursuant to the decree — the tax consequences instead arise later, when appreciated assets like the home, investment accounts, or retirement funds are eventually sold or distributed, at which point the recipient inherits the original cost basis. Client's shift from Married Filing Jointly to Head of Household status will result in a somewhat higher effective tax rate on her income compared to the prior joint return, but this is significantly cushioned by (1) the generous Head of Household standard deduction, and (2) her right as custodial parent to claim both children for the Child Tax Credit, worth \$4,400 annually. Spousal maintenance is received tax-free under post-2018 rules, meaning the full \$1,660/month benefits client without any tax erosion — a meaningful and often underappreciated aspect of modern maintenance awards. The most significant near-term tax-adjacent cost is COBRA continuation coverage, which, while not itself a 'tax,' represents a substantial cash outlay client should budget for immediately post-divorce. Overall, client should work with a tax professional in the first year

post-divorce to correctly file as Head of Household, claim the Child Tax Credit, and ensure any QDRO-related retirement transfers are executed properly to avoid inadvertent taxable events.

Filing Status Analysis

Filing as Head of Household instead of remaining on a joint return provides client a \$21,900 standard deduction (2025 figures) and more favorable tax brackets than filing Single, though still less favorable than the MFJ brackets the couple previously enjoyed. Given client's income of \$4,200/month (\$50,400/year) plus \$1,635/month child support (non-taxable) and \$1,660/month maintenance (non-taxable), her taxable income for federal purposes will be based primarily on her wages alone, likely placing her in the 12% federal bracket after the HOH standard deduction — a meaningfully lower tax burden than if she were forced to file as Single (which has a smaller \$14,600 standard deduction). This HOH qualification, contingent on maintaining a household for the children more than half the year, is an important benefit client should ensure is properly elected on her post-divorce returns.

Child Tax Credit Strategy

As the custodial parent with the children residing primarily with her (spouse has standard possession, ~131 overnights annually, meaning client has the majority of overnights), client is presumptively entitled to claim both children for the \$2,200-per-child Child Tax Credit (2025 rules) and for Head of Household filing status. If the parties wish to allocate the credit differently (e.g., alternating years or giving spouse one child's credit), this requires an IRS Form 8332 release signed by client, which should be explicitly addressed in the divorce decree to avoid future disputes. Absent such an agreement, the default and legally correct position is that the custodial parent (client) claims both credits, providing her a meaningful \$4,400/year tax benefit that should be factored into her post-divorce budget projections.

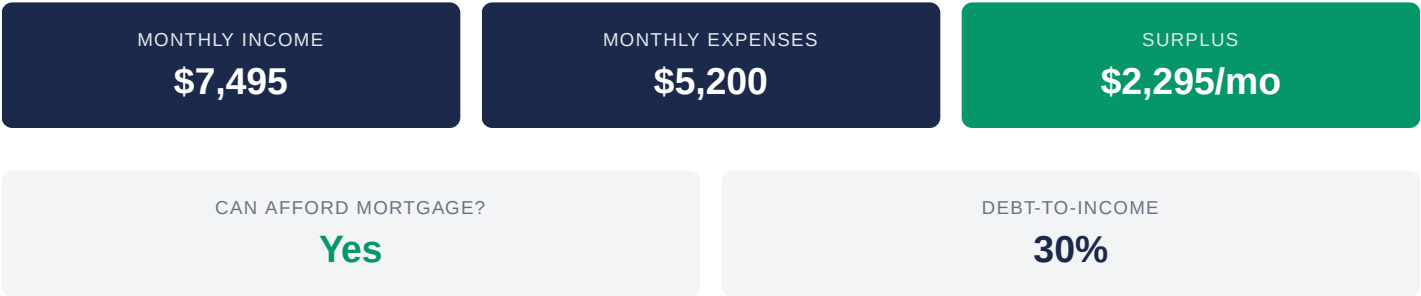
QDRO Strategy

If any portion of spouse's \$112,000 retirement account or client's own \$80,000 401(k) is divided between the parties (beyond the current recommendation that each keep their own), a Qualified Domestic Relations Order (QDRO) must be drafted and approved by the plan administrator before any transfer can occur without tax penalty. QDROs typically take 60-120 days for drafting, court approval, and plan administrator qualification, and should be initiated promptly after the divorce decree is signed to avoid delays or risk of the participant spouse changing the account (e.g., taking a loan or distribution) before the transfer is finalized. Because client's plan involves an IRA in addition to a 401(k), note that IRAs are divided via a simple 'transfer incident to divorce' provision in the decree rather than a QDRO (QDROs apply specifically to ERISA-qualified plans like 401(k)s, not IRAs), which is a faster and less costly process. Client should retain a QDRO specialist (often a flat fee of \$500-\$1,500 per order) separate from general divorce counsel to ensure technical compliance with the plan's specific requirements.

Home Sale Tax Analysis

Under IRC §121, an individual may exclude up to \$250,000 of capital gain from the sale of a principal residence if they have owned and lived in the home for at least 2 of the last 5 years before sale; married couples filing jointly may exclude up to \$500,000. The home was purchased in 2016 for \$310,000 and is currently valued at \$420,000, representing approximately \$110,000 in unrealized gain (before accounting for selling costs and any capital improvements, which would increase basis and further reduce taxable gain). Since this gain falls well under even the single-filer \$250,000 exclusion, if the home is sold (Scenario B) either before or shortly after the divorce, the entire gain would likely be fully sheltered from federal capital gains tax, assuming both parties meet the 2-of-5-year residency test. If client retains the home and sells it years later as a single filer, she should monitor future appreciation to ensure any gain still falls under her individual \$250,000 exclusion at that time.

Chapter 7: Post-Divorce Budget



Client's projected post-divorce monthly income of \$7,495 combines her own wages (\$4,200), child support (\$1,635), and spousal maintenance (\$1,660), against stated monthly expenses of \$5,200, producing a healthy projected surplus of \$2,295/month. This is a meaningfully different picture than looking at her wage income alone (\$4,200), which would fall roughly \$1,000 short of covering expenses — underscoring how critical securing both child support and spousal maintenance is to client's financial viability if she keeps the house. With an estimated mortgage payment plus other housing debt service factored into her overall budget, her debt-to-income ratio of approximately 30% remains within typical lender guidelines (usually 36-43% max for conventional refinancing), suggesting she should be able to qualify for a mortgage refinance in her name alone, particularly if lenders are willing to count the court-ordered support as qualifying income (most conventional lenders require this income to have a reasonably expected continuance of at least 3 years, which aligns with the 5-year maintenance term and the children's ages).

However, this surplus assumes full, timely receipt of both child support and maintenance — client should budget conservatively and build a financial cushion in case of payment delays or enforcement issues, which are common even with court orders. It is also important to note that the \$2,295 monthly surplus shown here will not remain constant: spousal maintenance terminates in 2031 (5 years), and child support amounts will decrease as each child ages out or the case is modified, meaning client's household budget will tighten considerably over time unless her own earned income grows to fill the gap.

Client should prioritize building an emergency fund immediately post-divorce, given the liquid assets she is likely to retain (a share of the \$38,000 joint bank accounts, \$9,000 personal account, and any liquid portion of the \$40,000 investment accounts) provide a starting cushion, but this needs replenishment given the upcoming refinance and moving-related costs if applicable.

Expense Breakdown

CATEGORY	MONTHLY
Housing	\$1,900
Food & Groceries	\$700
Childcare	\$950
Healthcare	\$350
Transportation	\$500
Insurance	\$300
Discretionary	\$500

COBRA Timeline

If client loses employer-sponsored health coverage through spouse's plan due to the divorce, she is entitled to COBRA continuation coverage for up to 36 months at 102% of the full premium cost (both employer and employee portions plus a 2% administrative fee). This is typically substantially more expensive than the \$420/month spouse currently pays as an employee premium — client should budget for potentially \$600-900/month for family COBRA coverage in the first 36 months. After the COBRA period ends (or sooner if client secures her own employer-sponsored coverage or a better rate), she should transition to either her own employer's plan or a Health Insurance Marketplace plan, where subsidies based on her post-divorce income (which, with maintenance and child support excluded from MAGI, may qualify her for significant premium tax credits) could substantially reduce costs below the COBRA rate. Client should begin comparing Marketplace options during open enrollment even while on COBRA, since she can switch at any point during a qualifying life event window.

Emergency Fund Analysis

Based on client's likely post-division liquid assets — her personal account (\$9,000), a share of the joint accounts (potentially \$19,000 of the \$38,000 if split evenly), and any liquid share of investment accounts — client could have \$25,000-\$35,000 in liquid reserves depending on final asset allocation. Against her \$5,200 monthly expenses, this represents approximately 5-7 months of expenses, which is a reasonably strong emergency cushion by conventional financial planning standards (3-6 months is the typical recommendation), though this cushion will likely be partially consumed by moving costs, refinance closing costs, or the \$6,500 equalizing payment she owes spouse under the current calculation, so client should plan carefully to preserve at least 3 months of expenses in true liquid reserve after all divorce-related transaction costs are paid.

5-Year Financial Projection

Over the next five years, client's cash flow will be shaped by several converging factors: spousal maintenance (\$1,660/month) is scheduled to terminate around September 2031, meaning her household income will drop by that amount unless her own earnings have grown to compensate — this makes the self-sufficiency plan outlined in Chapter 5 critical to long-term stability. Child support will continue at \$1,635/month (subject to modification) until the older child (born 2016) reaches 18 around 2034 and the younger child (born 2019) around 2037, meaning support will likely continue in some form throughout this 5-year window, though it should be recalculated if income or custody circumstances change. Childcare costs of \$950/month should decrease as both children age into school-based care and eventually no longer require after-school or daycare services, freeing up meaningful cash flow later in this period. If client successfully completes retraining or education during the maintenance period and increases her income toward \$5,500-\$6,500/month by 2029-2030, she should be well-positioned to absorb the loss of maintenance in 2031 without a significant lifestyle disruption. Any remarriage by client would terminate maintenance immediately, which should be factored into any life planning during this period.

Chapter 8: Action Plan

1: Immediate Actions & Temporary Orders

Weeks 1-4 after filing/separation

1. Confirm compliance with the standing TRO under §6.501 restraining both parties from transferring assets, incurring new debt, or changing insurance beneficiaries
2. Open individual bank accounts and begin separating personal finances from joint accounts (while respecting TRO restrictions on transferring joint funds)
3. Gather and organize financial documentation (see checklist below) for property division and support calculations
4. Request temporary orders for child support, possession schedule, and temporary use of the marital residence if not already informally agreed

2: Discovery, Valuation & Mediation Preparation

Months 1-3

1. Obtain a current mortgage payoff statement and home appraisal to confirm the \$195,000 equity figure
2. Obtain retirement account statements (401k, IRA) confirming premarital vs. marital contribution amounts for the \$12,000 separate 401(k) tracing
3. Document the \$23,000 inheritance's separate-property character with bank records, estate documents, or gift letters
4. Value the cryptocurrency holding as of an agreed date and document the wallet/exchange records
5. Prepare a detailed personal budget (monthly expenses worksheet) to support the spousal maintenance 'minimum reasonable needs' analysis
6. Prepare for mediation, which is required in most Texas counties before trial — bring a clear settlement proposal reflecting the priorities identified (house, retirement)

3: Mediation & Settlement Negotiation

Months 3-5

1. Attend mediation with a clear proposal: client keeps house + refinances, pays \$6,500 equalizing payment, spouse pays \$1,635/month child support and \$1,660/month maintenance for 5 years
2. Negotiate allocation of community debts (credit cards, spouse's student loans) based on income disparity
3. Address health insurance coverage for children and allocate uninsured medical expenses proportionally
4. Finalize Child Tax Credit allocation (recommend client claims both children as custodial parent) and document any Form 8332 arrangement
5. Discuss contractual alimony as an alternative/supplement to statutory maintenance if spouse is open to more flexible terms

4: Finalization & Post-Decree Implementation

Months 5-7

1. Finalize and sign the Agreed Decree of Divorce incorporating all negotiated terms
2. Complete mortgage refinance into client's sole name within the timeframe specified in the decree (recommend within 90 days)
3. Initiate QDRO drafting for any retirement account division and submit to plan administrators for qualification
4. Update all beneficiary designations (life insurance, retirement accounts) to reflect post-divorce wishes
5. Transfer vehicle titles and update auto insurance policies
6. Elect COBRA continuation coverage within the 60-day election window if needed, or secure alternative coverage
7. File the deed transfer/warranty deed for the home if title needs to be changed to reflect sole ownership

Document Checklist

Most recent 2-3 years of tax returns (joint) for both parties

Pay stubs for both parties (last 3-6 months) to verify income

Mortgage statement and home appraisal/CMA for the marital residence

Deed and title documentation for the marital residence

All bank account statements (joint and individual) for the last 12 months

401(k) and IRA statements showing current balances and, critically, balance as of the marriage date (June 2014) for premarital tracing

Documentation of the \$23,000 inheritance (estate documents, gift letter, or bank deposit records) to establish separate property character

Cryptocurrency wallet/exchange statements showing transaction history and current valuation

Vehicle titles and current loan payoff statements for both vehicles

Credit card statements showing balances and account opening dates

Student loan statements for both parties, noting origination dates relative to the marriage

Health insurance policy documents and premium statements

Children's birth certificates

Childcare cost documentation (invoices/receipts from daycare or after-school programs)

When to Hire a Lawyer

- Client has not yet consulted a lawyer (hasConsultedLawyer = false) despite significant assets, retirement accounts, and children involved — this alone strongly signals the need for at least a consultation
- Complexity of tracing separate property (premarital 401k portion, inheritance) requires legal and potentially forensic accounting expertise to protect client's separate property rights
- QDRO preparation requires specialized legal expertise beyond general divorce counsel
- Spousal maintenance negotiation involves significant statutory nuance (contractual vs. court-ordered) that benefits from attorney guidance to maximize client's outcome
- Even in an 'agreed' divorce, client should have independent counsel review the settlement before signing to ensure it is fair and enforceable — one attorney cannot represent both parties

Estimated Costs

ITEM	ESTIMATED COST
Attorney consultation/retainer (agreed divorce)	\$2,500-\$5,000
Court filing fees (Original Petition for Divorce)	\$300-\$400

Mediation fees (split between parties)	\$150-\$300/hour, typically \$600-\$1,500 total per party for a half/full day
QDRO preparation (per retirement account)	\$500-\$1,500 per QDRO
Home appraisal	\$400-\$600
Mortgage refinance closing costs	\$3,000-\$6,000 (2-5% of loan amount)
Forensic/tracing accountant (separate property tracing)	\$1,500-\$4,000
Real estate transfer/deed preparation	\$200-\$500

Post-Divorce Follow-Up Tasks

- Update the deed/title on the marital residence to reflect sole ownership after refinance
- Change beneficiary designations on life insurance, 401(k), and IRA accounts to remove ex-spouse (unless court-ordered otherwise for child support security)
- Update health insurance coverage for self and children (COBRA election or new marketplace/employer plan)
- Update auto insurance and vehicle titles for the retained vehicle
- Update W-4 withholding with employer to reflect new Head of Household filing status
- Update estate planning documents (will, power of attorney, healthcare directive) to remove ex-spouse and name new beneficiaries/agents
- Set up direct deposit or an income withholding order for child support and maintenance payments
- Update children's school and emergency contact records with new custody/contact information
- Confirm QDRO has been fully processed and funds transferred/re-titled by the plan administrator
- Review and adjust personal budget annually as child support, maintenance, and childcare costs evolve

Important Disclaimer

This report is an educational simulation based on Texas Family Code community property principles. It does not constitute legal advice and does not create an attorney-client relationship. Actual outcomes depend on negotiation, judicial discretion, and facts not captured here. Consult a licensed Texas family law attorney before making decisions.

This report relies on user-reported financial data that has not been independently verified. Property valuations (home, cryptocurrency, vehicles) are point-in-time estimates and may shift before final decree. The child support and maintenance calculations use simplified 2026 federal tax tables; actual net resources should be verified with the Texas Attorney General's official child support calculator. Separate property characterizations (premarital 401k, inheritance) are based on user assertions and would require documentary evidence (bank records, account statements from before the marriage date) to withstand challenge in a contested proceeding. Chapter 3 ten-year projections assume constant 5% real estate appreciation and 7% retirement growth rates, which are illustrative assumptions, not guarantees. Because this is described as an 'agreed' divorce, the 50/50 baseline division and calculated support figures should be treated as a starting framework for negotiation, not a guaranteed judicial outcome.

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