

# Failure to Classify Divorce Awards Can Cost Big

**By Matthew Crider, JD  
Family Protection Attorney**

In my experience as a Sacramento Divorce Lawyer, I've found that some clients (or opposing parties) are really quite businesslike in their approach to divorce. They know they want to settle and it is just a question of arriving at the right numbers through negotiation. They almost always have very specific final numbers in mind. It is not unheard of for them to encourage their partner to sign an agreement behind their attorney's back if they have an attorney or, better yet, before they hire an attorney. After all, it's all about the numbers. Not words.

Right? Wrong. When it comes to legal matters, the words actually matter quite a lot. As just one example, imagine a one paragraph marital settlement agreement. Yes, there really are such things out there. Such an agreement always gets straight to the point – and the number(s):

“Husband agrees to pay Wife \$1 million as full settlement.”

Do-it-yourselfers too often favor this type of language. But what does that \$1 million payment represent? Is it lump sum alimony? Is it lump sum child support? Is it property division? Is it a combination of all of the above? Who cares?

Well, the Internal Revenue Service for one. Precisely what the money represents will bear directly on the tax consequences, if any, associated with the payment. As a result, both spouses will become interested as well, sooner or later.

For example, unless there is an agreement otherwise, alimony payments are deductible by the spouse who makes them ... and taxable as income to the spouse who receives them. Child support is neither includible nor deductible. Equalization payments are generally neither includible nor deductible, but payments made in kind (by transferring things) may have tax consequences, sometimes unforeseen and undesirable. The point is, settlement isn't just about the numbers at all. The words count a lot.

In the end, all that really matters is the bottom line numbers, or the dollars out of pocket, not the numbers that may be referred to in the agreement. If the words aren't right, the bottom line numbers may be very, very different from the numbers specified in the settlement.

And that can be an unpleasant surprise that can hit you between the eyes.

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## About Matthew Crider, J.D.

Matthew Crider formed [Crider Law PC](#) in 1999 so he could help individuals through the California divorce process by providing creative solutions as their trusted advisor and legal counselor. His divorce and family law practice focuses on assisting people in dissolution matters, including divorce, child custody and visitation, child and spousal support, spousal support and alimony, and parental rights.

