



Great outcomes.
Done well.

When the Wife *Should* Get the House

There are cases when the wife should keep the house, even when doing so will create an unequal settlement. Let's look at Bill and Barbara (an actual case taken from records in a Colorado courthouse).

Bill and Barbara are 45 and 49, respectively, and have been married 18 years. They have one son. Bill earns net \$3,675 per month minus child support payments of \$413 and maintenance payments of \$500 per month. His living expenses are \$1,900 per month. Barbara earns net \$980 per month plus \$413 child support and \$500 maintenance. Her living expenses with the son are \$2,630 per month, which creates a negative cash flow of \$812 per month.

	Barbara	Bill
Take-home pay	\$980	\$3,675
Living expenses	- 2,630	-1,900
Maintenance	+ 500	-500
Tax on maintenance	-75	+ 140
Child support	+ 413	-413
Cash Flow	- \$812	\$1,002

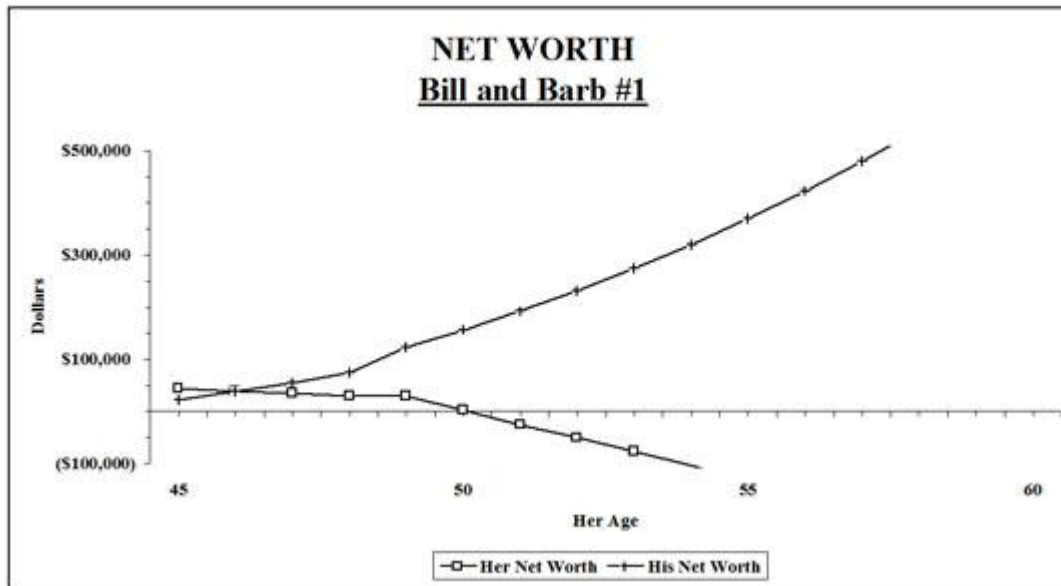
The following settlement was decided by the judge. Barbara will receive the house, which had equity of \$44,100 and her IRA worth \$5,000. Bill will get his IRA worth \$8,900. There are no other assets.

Since Barbara got the house with \$44,000 worth of equity, she has to pay Bill half of that equity upon the first of the following events: if she sells the house, if she gets remarried, or upon the emancipation of the child.

We do not know if she is going to sell the house, or remarry, but we do know that the son is going to reach age of emancipation in four years.

Barbara's house payment is \$490 per month with 10 years left on the mortgage. According to this scenario, Barbara is heading for poverty from the outset. To be able to pay Bill his half of the equity in the house, she will have to sell the house. This will force her to rent at a much higher cost than her house payment of \$490 per month. In her area, rental prices start at \$800 to 850 per month.

The following graph shows the result of the court's decision.



This court order is forcing Barbara into severe poverty. In this case, it seems reasonable that Barbara should have been allowed to keep the house without paying Bill half the equity -- an unequal but equitable settlement.