DivorceSmart Pro Report

Your Personalized Divorce Financial Analysis

A clear-eyed look at whether your proposed settlement actually works over the next 30 years — the housing decision, the support timeline, the retirement impact, and the negotiation points that matter most.

PREPARED FOR

Sarah Mitchell (sample)

47 years old · Marketing consultant · California

Married 18 years · Two children, ages 16 and 19

Reviewing proposed settlement, May 2026

REPORT INCLUDES

Executive Summary · 30-Year Cash Flow Projection · Settlement Sustainability · Keep-vs-Sell House Analysis · Retirement Impact · Support Ending Timeline · Negotiation Talking Points

Executive Summary

THE 30-SECOND ANSWER

The proposed settlement does not sustain Sarah's standard of living through retirement. Year-one cash flow is workable but tight. Years 4–9 are the danger zone — child support ends in year 4 while the mortgage and college costs continue, and there is no path to fund retirement at the level needed to retire at 65 without a settlement adjustment.

TOP THREE RISKS

Year 4 cliff. Child support of $21,600/year ends when Emma graduates high school. No equivalent expense reduction occurs that year. Annual budget gap of approximately $24,000 opens.

Year 10 cliff. Alimony of $42,000/year ends. Sarah is 57 with earned income of $65,000 (likely $80,000 by then with normal raises). Without a settlement adjustment, retirement contributions will need to stop in years 5–9 to bridge the gap.

Retirement shortfall. Projected retirement balance at age 65 is approximately $1.4M. To maintain Sarah's current standard of living in retirement, the target is approximately $1.9M–$2.1M. The gap is a direct consequence of inadequate contributions during the alimony years.

TOP THREE RECOMMENDED CHANGES

Negotiate longer alimony duration or step-down structure. A 12-year alimony term at the same monthly amount, or a 9-year term with a step-down rather than a hard cliff, materially improves the year-10 transition.

Take a larger share of retirement assets, not the house. Reallocating $150,000 of value from home equity to retirement accounts shifts the long-term outcome by approximately $580,000 at age 65 due to compounding. See "Keep vs. Sell House" analysis on page 7.

Reserve $40,000 of cash for the year 4–5 transition. Don't commit cash assets to the home buyout if it leaves no liquid reserve. The year 4 child support cliff is predictable; bridge it with planned reserves rather than retirement withdrawals.

Your Situation

This analysis uses the inputs you provided. Verify these are correct before relying on the conclusions.

Income

Source	Annual amount	Status
Sarah’s earned income	$65,000	Current
Sarah’s alimony (proposed)	$42,000	Years 1–9
Sarah’s child support (proposed)	$21,600	Years 1–4
Spouse earned income	$185,000	For reference

Assets and Proposed Division

Asset	Total value	To Sarah	To spouse
Marital home equity	$765,000	$382,500*	$382,500
Spouse’s 401(k)	$580,000	$290,000	$290,000
Sarah’s 401(k)	$145,000	$72,500	$72,500
Brokerage / cash	$80,000	$40,000	$40,000
Total	**$1,570,000**	**$785,000**	**$785,000**

**Sarah keeps the home and refinances; the buyout is paid through her share of the proceeds split. Net: Sarah ends with the home (worth $765k equity, but $432k mortgage after refinance), $362,500 in retirement, $40,000 cash.*

Key Assumptions

- Investment returns: 7% annualized for retirement accounts, 3% for cash
- Home appreciation: 3% annualized (California historical average)
- Inflation: 3% annualized (applied to non-fixed expenses)
- Tax filing: single, federal + California state
- ACA marketplace healthcare for Sarah and dependent Emma until Emma turns 26
- Liam (age 19) is in college through year 3; college expenses then end
- Emma graduates HS in year 4; child support ends

30-Year Cash Flow Projection

Year-by-year projection of Sarah's income, expenses, and net cash position. The years marked in gold are inflection points where the budget structurally changes.

Year	Age	Earned	Alimony	Child Sup.	Total In	Total Out	Net
1	47	$65,000	$42,000	$21,600	$128,600	$141,600	($13,000)
2	48	$67,000	$42,000	$21,600	$130,600	$144,400	($13,800)
3	49	$69,000	$42,000	$21,600	$132,600	$135,200	($2,600)
4	**50**	**$71,000**	**$42,000**	**$0**	**$113,000**	**$132,500**	**($19,500)**
5	51	$73,000	$42,000	$0	$115,000	$135,800	($20,800)
6	52	$75,000	$42,000	$0	$117,000	$139,200	($22,200)
7	53	$77,000	$42,000	$0	$119,000	$142,700	($23,700)
8	54	$79,000	$42,000	$0	$121,000	$146,300	($25,300)
9	55	$82,000	$42,000	$0	$124,000	$150,000	($26,000)
10	**56**	**$84,000**	**$0**	**$0**	**$84,000**	**$153,800**	**($69,800)**
11	57	$86,000	$0	$0	$86,000	$157,600	($71,600)
15	61	$97,000	$0	$0	$97,000	$174,300	($77,300)
18	64	$106,000	$0	$0	$106,000	$188,200	($82,200)

Reading this table. The "Net" column shows annual surplus or deficit. A negative number means Sarah is drawing down savings or skipping retirement contributions to meet expenses that year. The two highlighted years (4 and 10) are when major income sources end. Without a settlement change, by year 11 Sarah is running an annual deficit larger than her gross earned income.

Settlement Sustainability

A settlement is sustainable if Sarah’s assets and projected income cover her projected expenses through her expected lifespan. Here is what the numbers show under three scenarios.

Three Scenarios at Age 65

Scenario	Retirement balance	Annual gap	Verdict
As proposed	$1,395,000	~$22,000/yr short	Insufficient
+ extended alimony to 12 yrs	$1,580,000	~$10,000/yr short	Borderline
+ rebalance: less house, more 401(k)	**$1,985,000**	**~$3,000/yr surplus**	**Sustainable**

The "annual gap" is the difference between projected retirement income (from the retirement balance at a 4% safe withdrawal rate, plus Social Security) and projected retirement expenses (current expense level adjusted for inflation, less mortgage if paid off).

When Money Runs Out (As Proposed)

Under the proposed settlement, with retirement contributions pausing in years 5–9 to bridge the income gap, Sarah is on a path where retirement assets at age 65 are approximately $1.4M. At a sustainable 4% withdrawal rate, that produces $56,000/year — plus her own Social Security benefit (estimated $24,000/yr at FRA) for total retirement income of $80,000/year.

Crossover point: age 79. If retirement expenses run at $102,000/year (current level adjusted to age 65 in inflation-adjusted dollars, with mortgage paid off), the gap of $22,000/year drains the retirement account at approximately age 79. Without changes to the settlement or to Sarah’s working years, she runs out of retirement assets approximately 6–8 years before life-expectancy estimates for women in her demographic.

OPPORTUNITY

Important caveat. The "as proposed" scenario does not include the divorced-spouse Social Security benefit. If Sarah remains unmarried and the marriage is finalized at or after the 10-year mark, she may be eligible for up to 50% of her ex-spouse’s Social Security benefit at her full retirement age. This could add approximately $1,200–$1,500/month and meaningfully extend the runway. See "Negotiation Talking Points" on page 10.

Keep vs. Sell House Analysis

The proposed settlement has Sarah keeping the marital home with a $432,000 mortgage after refinancing. This page compares that scenario against selling and taking liquid assets instead.

Year-1 Carrying Cost (Keep the House)

Cost item	Annual	Notes
Mortgage P&I (new, 7%, 30yr)	$34,500	$432K loan; payment $2,875/mo
Property taxes (CA Prop 13 preserved)	$8,800	Inter-spousal exempt from reassessment
Homeowners insurance	$2,500	CA wildfire-zone premium
Maintenance reserve (1% of value)	$9,800	$980K home value
Total annual carrying cost	**$55,600**	

20-Year Outcome Comparison

Scenario	Net at age 67
Keep house, sell at 65 (modest appreciation, single-filer $250K cap gains exclusion)	$1.42M total
Sell now during divorce, full $500K marital exclusion, invest proceeds in 60/40 portfolio	$2.04M total

RISK

The capital gains trap. The home was bought for $475,000. At an estimated $1.55M value at age 65 (after 18 years of 3% appreciation), the gain is approximately $1.07M. As a single filer post-divorce, Sarah can exclude $250,000 under **IRC § 121**, leaving $820,000 taxable — a federal+CA capital gains bill of approximately $200,000. If sold jointly during the divorce, the $500K marital exclusion would reduce the taxable amount by an additional $250,000, saving approximately $60,000.

Reasons to Still Keep the House

• **Stability for Emma.** Two more years until Emma graduates HS. Moving mid-junior-year imposes real costs that don’t show up on a spreadsheet.
• **California Prop 13 preservation.** The current assessed value of $680K vs. a new comparable home assessed at $980K means future property tax savings of ~$3,900/year for as long as Sarah stays.
• **Rental market.** If Sarah sold and rented, comparable rentals in her area are $4,800–$5,800/month, only slightly below the all-in cost of owning.

Retirement Impact

Divorce often delivers a one-time hit to retirement assets via the property division. The larger and harder-to-see hit is the years of reduced contributions during the transition. This page quantifies both for Sarah.

Starting Position vs. Where You Need to Be

Metric	Sarah, post-divorce	Target for retiring at 65
Retirement balance at age 47	$362,500	—
Years to retirement	18	18
Required annual contribution at 7% return	$10,200	$22,500
Likely annual contribution years 1–3	$5,000	$22,500
Likely annual contribution years 4–9	$0–$3,000	$22,500
Likely annual contribution years 10–18	$8,000	$30,000
Projected balance at age 65	**$1,395,000**	**$1,985,000**

The Compounding Cost of Skipped Years

A $10,000 contribution skipped at age 47, at 7% return, is worth approximately $33,800 by age 65. A $10,000 contribution skipped at age 55, at the same return, is only worth $19,700 by age 65. **The contributions Sarah skips in her late 40s and early 50s cost the retirement account roughly twice as much as the ones she skips closer to retirement.**

This is why the year 4–9 transition matters disproportionately. The settlement must protect retirement contributions during these years, not after.

TAX RULE

Tax treatment of QDRO funds. The $290,000 transferred from spouse's 401(k) to Sarah moves via a Qualified Domestic Relations Order (QDRO). Under **IRC § 72(t)(2)(C)**, Sarah has a one-time window to withdraw funds directly from the QDRO-divided account without the 10% early withdrawal penalty (ordinary income tax still applies). This is a useful liquidity option for the year 4 cliff — but it must be exercised before rolling the funds into Sarah's own IRA. After that rollover, the penalty exception is gone.

Support Ending Timeline

Two streams of support income end at predictable dates. Building the post-support budget now — before signing — is the difference between a sustainable settlement and one that breaks in year 5.

Child Support

Ends: When Emma graduates high school or turns 19, whichever is first. Under California Family Code § 3901, child support continues past 18 only for an unmarried child who is a full-time high school student and not self-supporting, until the earlier of 12th-grade completion or age 19. At Sarah’s timing, this is approximately year 4 of the settlement (Emma is currently 16, finishing 11th grade).

Annual income loss: $21,600. No corresponding expense reduction occurs. Emma will be 18 and likely still living at home for at least part of year 4 and 5; food, transportation, and basic costs continue.

Alimony

Ends: After 9 years (proposed). The proposed alimony duration of 9 years is consistent with California guidance for marriages of 18 years — for marriages of long duration (10+ years, per Cal. Fam. Code § 4336), courts retain jurisdiction indefinitely but support is typically structured for half the marriage length unless circumstances justify otherwise. The proposed 9 years is at the midpoint of the typical range.

Annual income loss: $42,000. By year 10, Sarah will be 56 with earned income of approximately $84,000 (assuming standard wage growth). Replacing $42,000 of alimony requires either materially higher earnings or asset drawdown.

Year-by-Year Income Cliff Map

Year	Event	Income change	Cumulative
1	Settlement begins	+$63,600/yr support	Stable
4	Emma graduates HS, child support ends	−$21,600/yr	−$21,600
10	Alimony ends	−$42,000/yr	−$63,600
18	Sarah’s typical retirement age (65)	Earnings → SS + portfolio	Permanent
20	Earliest divorced-spouse SS benefit (if eligible)	Up to +$18,000/yr	Adjusted

STRATEGY

Plan for year 4 specifically. The child support cliff is the single most predictable budget shock in this entire 30-year picture. Setting aside $30,000–$40,000 in cash reserves earmarked for years 4–5 is the single highest-leverage protective move.

Negotiation Talking Points

Five specific points to raise in mediation or with Sarah's attorney. Each is grounded in the analysis above. Sample language is provided where useful.

1. Reallocate $150,000 of value from home equity to retirement assets

Why it matters. $150,000 in retirement at 7% becomes $507,000 by age 65. The same $150,000 in home equity becomes approximately $256,000 (after factoring maintenance and the post-divorce $250K capital gains exclusion). The 20-year compounding gap is over $250,000.

> **Sample language.** "I'd like to take a smaller buyout on the house — closer to $232,500 instead of $382,500 — and offset that with an additional $150,000 transferred from your 401(k) via QDRO. This keeps me whole on total settlement value but shifts the asset mix toward what compounds."

2. Push for a 12-year alimony term, or a 9-year term with year 10–12 step-down

Why it matters. A hard cliff at year 10 produces a $42,000/yr income gap at age 56 — an age where earnings growth typically plateaus. A step-down (e.g., $3,500/mo years 1–9, $2,000/mo years 10–12) bridges the transition.

3. Confirm the marriage duration is over 10 years before finalizing

Why it matters. Under **20 CFR § 404.331**, a divorced spouse is eligible for up to 50% of the ex's Social Security benefit at full retirement age — but only if the marriage lasted at least 10 years. The 10-year mark is measured from the wedding date to the date the divorce is legally finalized. With 18 years of marriage, Sarah is well clear of this requirement, but confirming the divorce finalization date preserves this benefit.

4. Reserve $40,000 in cash; do not commit it to the buyout

Why it matters. The year 4 child support cliff is predictable and cannot be bridged from monthly income. Tapping retirement (even with the QDRO penalty exception) sacrifices the highest-compounding years. A $40,000 cash reserve covers the years 4–5 transition without touching retirement.

5. Do not agree to a "non-modifiable" alimony clause

Why it matters. California alimony is generally modifiable based on a substantial change in circumstances. Some agreements include language making support non-modifiable. For Sarah's position, retaining modifiability is a one-way option: if her circumstances worsen (job loss, health), modification protects her; if her circumstances improve, the support is unlikely to be modified upward by her ex.

Methodology and Disclaimers

What This Report Did Model

- Year-by-year cash flow projections through age 67
- Federal and California state income taxes (single filer)
- Mortgage amortization on a refinance scenario
- Property tax with California Proposition 13 preservation
- Investment growth on retirement and brokerage assets at 7% nominal
- Home appreciation at 3% nominal
- Expense inflation at 3% nominal
- Capital gains tax under IRC § 121 (single-filer post-divorce exclusion)
- QDRO penalty exception under IRC § 72(t)(2)(C)
- Social Security retirement benefit (Sarah’s own record, estimated PIA)

What This Report Did Not Model

- State-level capital gains tax variation (used CA-specific assumptions)
- Long-term care needs in retirement
- Divorced-spouse Social Security benefit (referenced but not added to base case)
- Variation in market returns; results assume average returns, not best/worst case
- Health changes affecting earning capacity
- Future remarriage by Sarah (which would terminate alimony)
- Estate planning, life insurance needs, or beneficiary designations

Statutory and Regulatory References

- **26 U.S.C. § 121** — Capital gains exclusion on principal residence
- **26 U.S.C. § 72(t)(2)(C)** — QDRO early-withdrawal penalty exemption
- **20 C.F.R. § 404.331** — Social Security divorced-spouse benefit
- **Cal. Fam. Code § 3901** — Duration of child support obligation
- **Cal. Fam. Code § 4320** — Long-term spousal support factors
- **Cal. Fam. Code § 4336** — Marriages of long duration
- **Cal. Const. art. XIII A** (Prop 13) — Property tax assessment limits

Important Disclaimer

This report is general financial analysis based on the inputs provided. It is **not legal advice**, **not tax advice**, and **not personalized financial advice from a licensed advisor**. The numbers represent estimates under stated assumptions; actual outcomes depend on market performance, life events, court decisions, and many factors outside the scope of this projection. Use this report as preparation for conversations with your attorney, mediator, CPA, and CDFA. Do not use it as a substitute for professional advice in those domains.

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