

Financial Disclosure Made Easy with the Rule of Three

Ah, the dreaded Schedule of Assets and Debts. The document that consistently overwhelms, intimidates, and, if we're being honest, irritates most, if not all people who have to do it. Probably the number one question I get as a divorce attorney runs something along the lines of, "Why do I have to do this?" or "Do I really have to get you everything on this document?"

The answers to these questions are found in Family Code Section 2100 (the text of which is at the bottom of this post), but in a nutshell, the law requires everyone to do a full and accurate financial disclosure for three main reasons:

1. It helps promote settlement;
2. It makes sure both sides understand and know what the assets and debts are; and
3. It ensures a fair and open resolution to property division.

Even if I've managed to convince you of the benefits of doing a full financial disclosure, I understand that the job is still difficult. When trudging through stacks of documents and online statements, follow the Rule of Three to make your life easier. The number three is magical—getting three things done is doable, not overwhelming, and most importantly, is real progress.

The Rule of Three

Three ways you can use the Rule of Three to get your Schedule of Assets and Debts done:

1. Pick the next three things you need to do and write them down on a sticky note or piece of scrap paper. For example, 1) Get a copy of the house deed; 2) Get the latest mortgage statement; and 3) Go to zillow.com for the current fair market value of the house. Then do them. Every time you get distracted and forget what you were supposed to be doing, go back to your list. If you get discouraged, remember that you only have three things you need to do. When you've done the first three, write down and do another three. You'll be amazed at how many completed post-it notes you'll end up with. Always finish your three before taking a break.
2. At the end of the day, pick the most important three things for you to do the next day. Write them down. Set a specific time of day that you're going to start on your project and stick to it. If you use this technique, you'll always be working on your priorities.
3. If your list is very long (and with Schedules of Assets and Debts, they do tend to be long!), pick three similar things, and do just those. I like to group them in terms of the assets and debts—main home, rental property, cars, bank accounts, timeshares, retirement accounts, etc., but there certainly is no magic to my method. If you're a fan of stability like me, do three more of the same things until that entire group is done. If you like variety, do three of something different.

None of this is legal genius. It's my best advice for how to take this overwhelming task and break it down into something doable so that you feel like you can start. Once you're moving, things become much easier – you're buoyed by the progress you're making. Try using the Rule of Three today.

Family Code Section 2100:

The Legislature finds and declares the following:

a) It is the policy of the State of California (1) to marshal, preserve, and protect community and quasi-community assets and liabilities that exist at the date of separation so as to avoid dissipation of the community estate before distribution, (2) to ensure fair and sufficient child and spousal support awards, and (3) to achieve a division of community and quasi-community assets and liabilities on the dissolution or nullity of marriage or legal separation of the parties as provided under California law.

(b) Sound public policy further favors the reduction of the adversarial nature of marital dissolution and the attendant costs by fostering full disclosure and cooperative discovery.

(c) In order to promote this public policy, a full and accurate disclosure of all assets and liabilities in which one or both parties have or may have an interest must be made in the early stages of a proceeding for dissolution of marriage or legal separation of the parties, regardless of the characterization as community or separate, together with a disclosure of all income and expenses of the parties. Moreover, each party has a continuing duty to immediately, fully, and accurately update and augment that disclosure to the extent there have been any material changes so that at the time the parties enter into an agreement for the resolution of any of these issues, or at the time of trial on these issues, each party will have a full and complete knowledge of the relevant underlying facts.