A Survey of the Law of Property Disposition Upon Divorce in the Tristate Area

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A SURVEY OF THE LAW OF PROPERTY DISPOSITION UPON DIVORCE IN THE TRISTATE AREA

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During the past 20 years, our society has witnessed profound changes in its most cherished values and institutions. Foremost among these changes is the recent explosion in the divorce rate. Once considered socially unacceptable, marital dissolution invariably has touched almost every American family. The legal system, however, has responded slowly to this emerging social reality.

Prior to the enactment of their respective equitable distribution laws,¹ New York, New Jersey, and Connecticut viewed divorce

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from the restrictive common-law perspective.\(^2\) The financial contest usually was decided upon the merits of the divorce action. Alimony could not be awarded to a spouse who had been guilty of

\(^2\) Equitable distribution and the community property systems represent reactions against the common law under which the courts played a limited role in dividing marital property upon divorce. Under the common law, the only “divorce” available was the equivalent of a contemporary legal separation. Since the marriage remained legally intact, the spouses’ respective property interests remained inviolate. See generally Comment, supra note 1, at 448-51. Thus, the title issue was dispositive. New York courts were powerless to transfer property to which one spouse held title unless the spouse seeking apportionment satisfied the requirements for the imposition of a constructive trust. Fischer v. Wirth, 38 App. Div. 2d 611, 611-12, 326 N.Y.S.2d 308, 309-10 (3d Dep’t 1971) (absent fraud or concealment, wife denied share in husband’s property purchased with their combined savings over 22 years); see note 6 infra. See generally Foster & Freed, Marital Property and the Chancellor’s Foot, 10 Fam. L.Q. 55, 59-71 (1976) [hereinafter cited as Foster & Freed, Marital Property]. Connecticut also used the strained artifice of a constructive trust to distribute marital property. E.g., Pappas v. Pappas, 164 Conn. 242, 320 A.2d 808, 810 (1973); Manyak v. Manyak, 29 Conn. Supp. 1, 268 A.2d 806, 808 (Super. Ct. 1970). Courts in New Jersey were inactive in distributing property because their jurisdiction was limited statutorily to periodic awards of alimony, modification of alimony awards, and the enforcement of private settlements which did not conflict with public policy. See, e.g., Polyckronos v. Polyckronos, 17 N.J. Misc. 250, 259-98, & A.2d 265, 270-72 (Ch. 1939); Calame v. Calame, 25 N.J. Eq. 548, 549-51 (Ct. Err. & App. 1874).
marital fault and, if both parties were guilty of such fault, neither one would be eligible for an award of alimony. Additionally, because the authority of the judiciary was limited to the resolution of title disputes, courts could not invade the assets of either party or convey separate property.

The resulting hardships led to a general consensus regarding the necessity for reform. Against this background, the states in the metropolitan area individually attempted to modernize their approach to divorce and the attendant disposition of marital property. Although the reformers spoke of marriage in terms of an eco-

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3 See note 155 and accompanying text infra.
4 See note 2 supra.
5 Fischer v. Wirth, 38 App. Div. 2d 611, 326 N.Y.S.2d 308 (3d Dep't 1971), vividly illustrates the harsh results engendered by the common-law rules. The wife in Wirth used her salary to pay the family expenses for 22 years while her husband enriched himself by investing his accumulated earnings in his own name. Id. at 612, 326 N.Y.S.2d at 310. Upon dissolution of the marriage, the wife petitioned the court for the imposition of a constructive trust. Id. at 611-12, 326 N.Y.S.2d at 309-10. Despite her husband's statement that he had started a savings program "for the two of us," the court held that he had not impliedly promised to reimburse his wife for the money she expended in fulfillment of his support obligation. Id. at 612, 326 N.Y.S.2d at 310. The court emphasized that:

A constructive trust is a vehicle for "fraud rectifying." There may be a moral judgment that can be made on the basis of respondent's conduct and the imperfectly expressed intention of some possible future benefit to appellant, but that is not enough to set the court in motion.

Id. at 612, 326 N.Y.S.2d at 311 (citations omitted).


New Jersey initiated reform in 1967 when its legislature appointed a commission to study the divorce law. Ch. 57, [1967] N.J. Laws. This commission proposed a bill which was
nomic partnership, the resulting laws implicitly rejected the notion that marriage inevitably is a partnership of economic equals in favor of an equitable distribution of marital property. Additionally, the new laws provide that, where appropriate, temporary or


The New York Senate debated whether to adopt an amendment proposed by Senator Winikow. Supported by the National Organization of Women, the amendment contained a presumption that marital property should be divided equally upon divorce. The proposed amendment was grounded on the principle that “marriage is what most people were led to believe it to be, an equal partnership, and that equality is equity most of the time.” Sassower, Looking Anew for Fair Divorce Law, N.Y. Times, May 11, 1980, § 22, at 18, col. 2. The debate was heated, with proponents of the amendment willing to postpone reform for yet another year rather than pass an equitable distribution bill. See Record, New York State Senate, at 3977 (June 3, 1980) (remarks of Sen. Winikow). Opponents of the amendment, however, maintained that the unique nature of each marital relationship necessitated flexibility in the disposition of property. Id. at 4061 (remarks of Sen. Goodhue). Indeed, one opponent remarked that “[i]f there was no difference in the various marriages around this state, then we should have equal distribution, but I suggest to you that there are no two marriages alike.” Id. Critics of the equitable distribution bill countered that “flexibility” and its concomitant subjectivity would lead to unfair results with an overwhelmingly male judiciary undervaluing wives’ roles as homemakers. Sassower, supra, at 18, col. 2. Eventually, the amendment was defeated by a vote of 30 to 21 in the New York Senate. See Record, New York State Senate (June 3, 1980).

New Jersey and Connecticut also have rejected the view that marriage always is an equal economic partnership. Any doubts concerning whether the 1971 revisions in the New Jersey divorce law incorporated the idea that marriage is an equal partnership were resolved by the first definitive judicial interpretation of the new law. In Painter v. Painter, 65 N.J. 196, 216-17, 320 A.2d 484, 495 (1974), the New Jersey Supreme Court noted:

[Community property law is very different from our law of property. . . . We have no reason to suppose that the lawmakers intended to adopt a rule the development and evolution of which would very likely come to be governed by rules of community property law, or that they were aware they might be doing so.


By providing for judicial assignment “to either the husband or wife all or any part of the estate of the other,” the Connecticut law emphasizes the potential for an unequal distribution of property. CONN. GEN. STAT. § 46b-81(a) (1981) (emphasis added). See also ARK. STAT. ANN. § 34-1214 (Supp. 1981); WIS. STAT. ANN. § 767.255 (West 1981).
permanent periodic payments may be awarded to either spouse. Of the three states, New Jersey was the first to adopt equitable distribution and was propelled into the forefront of subsequent developments. Connecticut followed suit in 1974. New York’s statute became effective in July 1980, and consequently its parameters, to some degree, are undefined. While there are significant

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8 See notes 157-171 and accompanying text infra.

In all actions where a judgment of divorce or divorce from bed and board is entered the court may make such award or awards to the parties, in addition to alimony and maintenance, to effectuate an equitable distribution of the property, both real and personal, which was legally and beneficially acquired by them or either of them during the marriage.

Id.

At the time of entering a decree annulling or dissolving a marriage or for legal separation pursuant to a complaint under section 46b-45, the superior court may assign to either the husband or wife all or part of the estate of the other. The court may pass title to real property to either party or to a third person or may order the sale of such real property, without any act by either the husband or the wife, when in the judgment of the court it is the proper mode to carry the decree into effect.

Id. § 46b-81(a).

Section 46b-81, which appeared as section 46-51 until its transfer in 1979, has been amended twice. The language enabling the court to convey title to real property and specifying that the conveyance would function as a deed, binding life estates and remainders, was added in 1975. 1975 Conn. Pub. Acts 75-331. A 1978 amendment made nonsubstantive changes in phraseology and divided the section into subsections. 1978 Conn. Pub. Acts 78-230, § 36.

11 Ch. 281, § 9, [1980] N.Y. Laws 1227 (currently codified at N.Y. Dom. Rel. Law § 236 (McKinney Supp. 1981-1982)). Section 236 directs the court to distribute marital property equitably, considering both “the circumstances of the case and of the respective parties.” Id. § 236(B)(5)(c). Subsection 236(B)(5)(d) outlines criteria to be considered in making the award:

(1) the income and property of each party at the time of marriage, and at the time of the commencement of the action;
(2) the duration of the marriage and the age and health of both parties;
(3) the need of a custodial parent to occupy or own the marital residence and to use or own its household effects;
(4) the loss of inheritance and pension rights upon dissolution of the marriage as of the date of dissolution;
(5) any award of maintenance under subdivision six of this part;
(6) any equitable claim to, interest in, or direct or indirect contribution made to the acquisition of such marital property by the party not having title, including joint efforts or expenditures and contributions and services as a spouse, parent, wage earner and homemaker, and to the career or career potential of the other party;
(7) the liquid or non-liquid character of all marital property;
differences among these jurisdictions in the application of equitable distribution principles, the tristate practitioner now may expect a greater degree of uniformity in the division of marital assets upon divorce. This Article will examine the similarities and dif-

(8) the probable future financial circumstances of each party;
(9) the impossibility or difficulty of evaluating any component asset or any interest in a business, corporation or profession, and the economic desirability of retaining such asset or interest intact and free from any claim or interference by the other party;
(10) any other factor which the court shall expressly find to be just and proper.


12 Although the tristate practitioner now may anticipate a greater degree of uniformity, significant differences will continue to exist. For example, the statutory equitable distribution schemes diverge in their initial determinations of the property subject to distribution. See notes 13-32 and accompanying text infra. Furthermore, section 307 of the Uniform Marriage and Divorce Act originally required an assignment of each spouse's property to that spouse and a subsequent division of the marital property. Property acquired by gift, bequest, devise, or descent and any increase in value of property acquired before the mar-
Determining Assets Subject to Equitable Distribution

In arriving at an equitable distribution, a court initially must determine which assets are subject to distribution. New York and New Jersey distribute property acquired "during the marriage." The process for determining which assets are subject to an equitable distribution was delineated in Rothman v. Rothman, 65 N.J. 219, 320 A.2d 496 (1974). The Rothman court rejected any formalistic approach, declaring that the trial judge's determination should be based upon an examination of each case "as an individual and particular entity." Id. at 232-33 n.6, 320 A.2d at 503 n.6; Comment, supra note 1, at 461-62. Full cooperation is required from the litigants to assist the trial judge in his determination. Each spouse must review all of his eligible property beforehand and come into court fully prepared to testify accurately respecting these assets. Rothman v. Rothman, 65 N.J. at 233, 320 A.2d at 504. This preparation normally will involve an expenditure of time and money in addition to the use, when necessary, of appraisers and accountants. Id.

Compulsory financial disclosure is provided by statute in New York. N.Y. Dom. Rel. Law § 236(B)(4) (McKinney Supp. 1981-1982). Each party in litigation involving alimony, maintenance, or support is required to submit a sworn statement of individual net worth. Id. Failure to comply with subsection four of Part B is punishable by civil penalties. Id. Subsection four enumerates the minimum disclosure requirements. Roussos v. Roussos, 106 Misc. 2d 598, 594, 434 N.Y.S.2d 600, 602 (Sup. Ct. Queens County 1980). Additional disclosure may be mandated. Id.; see McKenzie v. McKenzie, 78 App. Div. 2d 585, 586, 432 N.Y.S.2d 424, 425 (4th Dep't 1980); Stolowitz v. Stolowitz, 106 Misc. 2d 853, 856, 435 N.Y.S.2d 882, 884-85 (Sup. Ct. Nassau County 1980) (broad disclosure imperative for proper equitable distribution trial). Notably, the only limitation which has been imposed upon this policy of complete disclosure has involved attempts to discover the identity and addresses of legal clients who are not parties to the matrimonial litigation. 106 Misc. 2d at 859, 435 N.Y.S.2d at 886-87. To facilitate the evaluation of pertinent financial information, several courts have made pendente lite awards of monies to enable an unemployed spouse to retain an accountant for the purpose of examining the financial condition of the supporting spouse. Fay v. Fay, 108 Misc. 2d 373, 375, 437 N.Y.S.2d 601, 603 (Sup. Ct. Suffolk County 1981); Gueli v. Gueli, 106 Misc. 2d 877, 878-79, 435 N.Y.S.2d 537, 538-39 (Sup. Ct. Nassau County 1981).

The central inquiry under this standard is whether the assets involved may properly be regarded as "marital" or "separate" property. In making this determination, trial judges in the two states are aided by established definitions of the terms "marital" and "separate" property. These key terms are defined statutorily in New York. In New Jersey, however, the terms have been defined judicially.

Painter v. Painter is the seminal case defining marital property in New Jersey. In Painter, the New Jersey Supreme Court held that all property in which a spouse acquired an interest during the marriage is eligible for distribution upon divorce regardless of its original source. The court also enunciated what had been the established definition of separate property, holding that property owned by a spouse prior to the marriage—including any

adopted the date on which the divorce complaint is filed as the termination date. Id. at 218, 320 A.2d at 495. Although possibly inaccurate, this formulation was merely "an attempt to avoid promulgating an unworkable rule." Smith v. Smith, 72 N.J. 350, 360-61, 371 A.2d 1, 6-7 (1977). If parties enter into a formal separation contract which is accompanied by an actual separation, this date will serve as the termination date for equitable distribution purposes. Id. at 361-62, 371 A.2d at 7.

New York has statutorily adopted the test enunciated by New Jersey courts, treating the marriage as terminated once a separation agreement is executed or a matrimonial action is commenced. N.Y. Dom. Rel. Law § 236(B)(1)(c) (McKinney Supp. 1981-1982); see Foster & Freed, Family Law, supra note 11, at 341.

See notes 18-28 and accompanying text infra.


18 Id. at 217, 320 A.2d at 495. The Painter court gave comprehensive construction to the section allowing assets acquired by one spouse during the marriage to be distributed. Id. at 216-17, 320 A.2d at 494-95. In construing the statutory term "acquired" to include either spouse's receipt of title to property through "gift or inheritance or indeed any other way," the court expanded upon the trial court's construction, which limited marital property to assets obtained through individual effort. Id. at 215, 329 A.2d at 494; Note, Painter v. Painter: Equitable Distribution of Marital Assets Upon Divorce, 48 Temp. L.Q. 397, 405 (1975). Moreover, the Painter court was motivated to adopt an inclusive definition of distributable assets in order to avoid following an established community property rule. 65 N.J. at 215-16, 320 A.2d at 494. In community property jurisdictions, assets received during the marriage by one spouse by gift, descent, or devise are considered separate property. Id. at 216, 320 A.2d at 494 (citing 4A R. Powell, Real Property § 626, at 717 (rev. ed. 1973)). See generally 1 W. de FuniaK, Principles of Community Property § 69, at 171-74 (1943). Notwithstanding the differences between community property and equitable distribution principles, the court reasoned that the applicable community property rule probably would influence the subsequent development of the equitable distribution law. 65 N.J. at 216, 320 A.2d at 494; see Comment, supra note 1, at 458. The court believed that the adoption of community property law should not occur "unwittingly" and without legislative "study and deliberation." 65 N.J. at 216-17, 320 A.2d at 495; see 79 Dick. L. Rev. 526, 530 (1975). For a critical analysis of the analogy to community gain principles, see Note, supra, at 411-12.
postmarital increase in value—is excluded from any subsequent equitable distribution. Recently, however, the New Jersey legislature redefined separate property to include assets acquired by bequest, devise, or descent, or by gift from someone other than the spouse.

Although the New York statute anticipated the change in the New Jersey definition of separate property, it was guided, to some extent, by the Painter definitions. The New York statute defines marital property as all property acquired by either spouse during the marriage, but before the execution of a separation agreement or the institution of a marital action. The New Jersey Legislature contemplated that most gifts, devises, or bequests would be received from parents or relatives of the recipient spouse. To compel the division of these assets would be contrary to the expectations of both the recipients and the donors. Since neither spouse's efforts resulted in the obtaining of the asset, it should not be deemed a marital asset under the partnership concept.

The New York definition of separate property surpasses the New Jersey definition in scope by encompassing compensation for personal injuries and property specifically allocated as separate by written agreement of the parties. The New York definition of separate property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The new definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory definition of marital property marks a radical departure from prior New York law. Formerly, marital property consisted of jointly owned property such as a marital residence owned by both spouses as tenants in the entirety or a joint bank account. The statutory
The Supreme Court, however, has concluded that the legislature intended to postpone the distribution of marital assets owned by separate spouses until the institution of an action to dissolve the marriage. Thus, property obtained after the institution of a separation action may be subjected to distribution if the marriage is subsequently dissolved. Separate property and property which the spouses have agreed to treat differently are excluded from the marital property category. Separate property also encompasses property acquired by bequest, devise, or descent, or by gift from someone other than the spouse.

Definition of marital property, therefore, was premised upon the theory that family assets acquired through individual or joint effort should be distributed equitably upon dissolution of the marriage. Id.; see Kobyłack v. Kobyłack, 110 Misc. 2d 402, 406, 442 N.Y.S.2d 392, 394 (Sup. Ct. Westchester County 1981). Recently, Justice Rigler examined the length of the marriage to determine to whom the funds deposited in joint bank accounts belonged. Abbe v. Abbe, N.Y.L.J., Feb. 26, 1981, at 12, col. 2 (Sup. Ct. Kings County 1981).

Jolis v. Jolis, N.Y.L.J., Nov. 4, 1981, at 11, col. 1, col. 2 (Sup. Ct. N.Y. County). The husband in Jolis commenced a separation action on the ground of cruelty. Id. at 11, col. 1. Approximately 38 months later, he served a notice of intention to amend his complaint to state a cause of action for divorce. Id. Reasoning that the wife was not aware that the pending action might terminate the marriage until the service of this document, the court concluded that its service constituted the commencement of a marital action for equitable distribution purposes. Id. at 11, col. 2. Because matrimonial practice postpones the actual disposition of such motions until trial, the court believed it would be unjust to fix that date as the date of commencement of the matrimonial action. Id.

See N.Y. DOM. REL. LAW § 236(B)(1)(c), (d)(4) (McKinney Supp. 1981-1982); Foster, Commentary on Equitable Distribution, supra note 6, at 9-10. Property may be designated as separate by a contractual agreement between the spouses. See N.Y. DOM. REL. LAW § 236(B)(d)(4) (McKinney Supp. 1981-1982). Critical to the enactment of this legislation was the offering of the opinion to spouses to divide their property in an agreed manner. Foster & Freed, Family Law, supra note 11, at 345. Section 5-311 of the General Obligations Law has been amended to prohibit, except as provided in N.Y. DOM. REL. LAW § 236 (McKinney Supp. 1981-1982), any contract between husband and wife to relieve either of liability for the other's support which would result in the other becoming a public charge. Ch. 281, § 47, [1980] N.Y. LAWS 387 (McKinney) (N.Y. GEN. OBLIG. LAW § 5-311 (McKinney 1978).

N.Y. DOM. REL. LAW § 236(B)(1)(d)(1) (McKinney Supp. 1981-1982). In a memorandum accompanying his approval of the equitable distribution legislation, Governor Carey stated that its premise was the recognition that marriage is an economic partnership. The assets produced during the partnership should be distributed in a manner designed to meet the "individual needs and circumstances of the parties regardless of the name in which such property is held." Governor's Memorandum filed with Assembly Bill 6200-A, June 19, 1980, reprinted in Guide to New York Equitable Distribution, supra note 6, at 608-09; see Jolis v. Jolis, N.Y.L.J., Nov. 4, 1981, at 11, col. 1 (Sup. Ct. N.Y. County). In their zeal to facilitate this end, however, the legislators left several unanswered questions which will require judicial interpretation. For example, subsection 2 of the separate property definition includes "compensation for personal injuries." N.Y. DOM. REL. LAW § 236(B)(1)(d)(2) (McKinney Supp. 1981-1982). This rather expansive definition does not differentiate between awards received as compensation for medical expenses, lost earnings, and pain and suffering. See
Because these courts are required to distinguish between marital and separate property, they must be sensitive to a possible intermingling of the two types of property. Once joined with marital property, separate property presumptively becomes marital property. This presumption, however, may be rebutted if the party

Note, New York's Equitable Distribution Law: A Sweeping Reform, 47 BrooKlyn L. Rev. 67, 85 n.67 (1980). Invariably, the amount expended for these services and the amount of lost earnings will come out of the marital assets. Id.

Subsection 3 provides that the appreciation in value of separate property caused by the "contributions or efforts" of the other spouse is marital property. N.Y. Dom. Rel. Law § 236 (B)(1)(d)(3) (McKinney Supp. 1981-1982); see Jolis v. Jolis, N.Y.L.J., Nov. 4, 1981, at 11, col. 6 (Sup. Ct. N.Y. County). It is conceivable that difficulties will arise regarding the interpretation of the phrase "contributions and efforts." See Foster, Commentary on Equitable Distribution, supra note 6, at 10-11.

27 Husband T.N.S. v. Wife A.M.S., 407 A.2d 1045, 1047 (Del. 1979) (nonmarital property does not remain nonmarital property regardless of how it is held); e.g., Brunson v. Brunson, 569 S.W.2d 173, 178 (Ky. App. 1978) (income derived from nonmarital property during the term of the marriage becomes marital property); cf. Malone v. Malone, 64 Idaho 252, 261, 130 P.2d 674, 678 (1942) (net rents and profits, but not gross income, from separate nonmarital property held to be community property); Broussard v. Broussard, 340 So. 2d 1309, 1314 (La. 1976) (interest accrued on premarital savings during the existence of the marriage held to be community property).

Several states which define marital property have incorporated into their equitable distribution statutes a rebuttable presumption that all property acquired by either party during the marriage is "marital property." E.g., Colo. Rev. Stat. § 14-10-113(3) (1973); Ill. Ann. Stat. ch. 40, § 503(b) (Smith-Hurd 1980); Ky. Rev. Stat. Ann. § 403.190(3) (Baldwin 1979). In Delaware, the rebuttable presumption may be overcome by proof that the property was acquired in exchange for property acquired prior to the marriage, that the property was excluded by valid agreement between the parties, or that the increase in value of the property occurred prior to the marriage. Del. Code Ann. tit. 13, § 1513(b)(1)-(3), (c) (Supp. 1981). The statute has been interpreted to place the burden of proof on the party asserting the exemption from equitable distribution. See E.C.W. v. M.A.W., 419 A.2d 934, 935 (Del. Sup. Ct. 1980) (husband had burden of proving that stock dividends were "acquired in exchange for property acquired prior to the marriage"); Halsey B.S. v. Charlotte S.S., 419 A.2d 962, 963 (Del. Fam. Ct. 1980) (husband has burden of proving that stock dividends represented an increase in value of premarital property); Husband R.T.G. v. Wife G.K.G., 410 A.2d 155, 160 (Del. Sup. Ct. 1979) (burden on wife to prove existence of agreement that their residence was not to be categorized as marital property). The Illinois statute has been interpreted similarly. See In re Marriage of Amato, 80 Ill. App. 3d 395, 398-99, 399 N.E.2d 1018, 1020-21 (App. Ct. 1980) (husband had burden of proving that home constructed during the marriage was not marital property); Illinois courts also have found that a commingling of nonmarital property and marital property evidences an intent to treat the property as marital. See id.; Smith v. Smith, 77 Ill. App. 3d 858, 865, 396 N.E.2d 859, 864-65 (App. Ct. 1979); Klingberg v. Klingberg, 68 Ill. App. 3d 513, 517, 386 N.E.2d 517, 520 (App. Ct. 1979).

The burden of establishing that a particular asset is immune from equitable distribution also has been delegated judicially. In Painter v. Painter, 65 N.J. 196, 320 A.2d 484 (1974), the court interpreted the New Jersey statute to require that the burden of proof rests upon the party asserting the immunity. Id. at 214, 320 A.2d at 493; see Canova v. Canova, 146 N.J. Super. 58, 368 A.2d 971 (Super. Ct. Ch. Div. 1976). In Canova, the plaintiff
advocating the separate characterization can document the use of the asset from the date of its initial receipt.28

While New York and New Jersey employ a separate property-marital property dichotomy in determining which assets may be distributed, Connecticut has adopted a broader approach. Under Connecticut law, all property owned by the spouse is eligible for equitable distribution notwithstanding its date of acquisition.29 Indeed, in a recent case, the Connecticut Superior Court, New Haven District, held that the premarital stage of a relationship “should be considered [in a divorce action] in order to fairly determine the ultimate rights of the parties that may have accrued over their entire time together.”30 The inclusion of separate property, however, may be unfair to the owner when a just result could be obtained through the distribution of the available marital property.31 On the other hand, this method of property disposition allows the attainment of an equitable result when the marital property is insuffi-

sought to prove that his marital residence enjoyed an immunity from equitable distribution. The residence was purchased with proceeds from the sale of a house which the plaintiff had owned at the inception of the marriage. Id. at 60, 368 A.2d at 972. Subsequently, he transferred title of the original home to himself and his wife. Id. at 59, 368 A.2d at 971. Relying on Painter's consideration of interspousal gifts in distributing marital property, the court held that the second residence was a marital asset subject to equitable distribution, despite the fact that part of the funds used to buy it could be traced to property once separately held by the husband. Id. at 62, 368 A.2d at 973.

28 See note 27 supra.


31 See Freed, Equitable Distribution in the Common Law States: A Bird's View, in Economics of Divorce 22-23 (1978). New York's exclusion of separate property from equitable distribution has been lauded as preventing a windfall to any one party. In view of the increase in the divorce rate and the influx of women into the working world, it no longer is fair to subject separate property to disposition. See Foster, Statutory Definitions, in Guide to New York Equitable Distribution, supra note 6, at 55.
cient or nonexistent. These views are but the touchstones of the relevant inquiries. As a practical matter, many significant assets may not be categorized easily. Occasionally, the distinction between marital and separate property may be so subtle as to enable some assets to defy classification. The following section of this Article will summarize how each state has addressed certain recurring problems of classification. Due to recent modifications in New York law, the New York judiciary has not yet had occasion to consider many of these problem areas. Indeed, it may be several years before a body of governing case law develops. In the interim, and where applicable, New York may look to the experience of its neighboring states, New Jersey and Connecticut, for guidance.

**Pension Plans**

Vested pension plans and other deferred benefits are subject to equitable distribution. New Jersey's statute, however, only permits the distribution of property which was "legally and beneficially acquired ... during the marriage." This statutory limita-

33 See Freed, supra note 31, at 22-23.

tion has been interpreted to permit the distribution of that portion of the pension which was acquired between the date of the marriage and the institution of the divorce action.  

Pensions for which the employee-spouse has qualified during the marriage may be distributed, even though they may be receivable at the election of the employee or at some future date.

New Jersey case law, however, is unsettled respecting the inclusion of pensions which have not yet vested. One appellate court has held that when an employee-spouse would not be entitled to receive either a pension or a disbursement of funds paid into the pension at the time of the divorce, his pension would not be subject to equitable distribution. Although subsequent cases have not expressly overruled this decision, they have employed an “ac-

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51 White v. White, 136 N.J. Super. 552, 555-54, 347 A.2d 360, 361 (Super. Ct. App. Div. 1975). The pension plan in White was funded solely by employer contributions. The pension holder did not have a right of withdrawal and his right to receive future benefits was contingent upon attaining the age of 40 and either completing 10 years of service or becoming totally disabled. Id. Since the defendant had not fully satisfied these eligibility requirements, the court held that the pension benefits were not subject to equitable distribution. Id. at 554, 347 A.2d at 361.
quired property" analysis. Under this analysis, a pension for which an employee-spouse has not yet qualified arguably may have been earned partially during the marriage if the right to the pension is reasonably certain to become receivable or the amount paid is dispensable to the employee-spouse.

As if to preclude such an argument, the Chancery Division of the New Jersey Superior Court imposed an additional requirement on the pension plan analysis. Noting that the statute required that marital property be legally and beneficially acquired, the court held that the employee-spouse must have had the power to "control, use or enjoy [the] asset" in order for it to be subject to equitable distribution. While relying on the statutory language to reach its result, this analysis will not allow a court to effectuate a completely equitable distribution in every situation. Where the employee-spouse has no present right to the pension, but is on the verge of qualifying for such a right, the beneficial acquisition test would nevertheless exclude the pension from equitable distribution.

38 See note 34 and accompanying text supra.


42 Under the Mey court's construction of the New Jersey equitable distribution statute, see note 41 and accompanying text supra, an employee-spouse whose pension almost has vested at the time of divorce would have only a mere expectation of receiving pension bene-
Recognizing the inadequacy inherent in this approach, a subsequent case has held that the relevant inquiries must be whether a "property right has been acquired during the marriage and whether equity warrants its inclusion in the marital estate in light of its limitations." This analysis may allow the equitable distribution of a nonvested pension plan. Where the pension has almost vested and was earned mostly during coverture, equity would favor its inclusion if the employee-spouse had no vested interest at the time of the divorce. It should be noted, however, that no subsequent New Jersey opinion has dealt with a pension plan in which the employee-spouse had not qualified for benefits or a refund of the monies contributed.

Finally, the New Jersey courts have minimized the distinction between contributory and noncontributory pensions. Since a noncontributory pension plan is funded exclusively by the employer, it is deemed a benefit conferred upon the employee-spouse which otherwise would be manifested in the form of additional wages.


In Weir, as in Mueller, see notes 40-41 supra, the pension holder had acquired a right to future retirement benefits, but not to their present enjoyment. Additionally, there was some uncertainty as to whether the employee-spouse would ever receive the pension benefits since they terminated upon his death. Id. at 133, 413 A.2d at 640. Nevertheless, the court refused to require that the employee have "effective power to control or use or enjoy" the proceeds. Id. at 134-35, 413 A.2d at 640-41. Accordingly, the pension plan was subjected to equitable distribution. Id. at 139, 413 A.2d at 642-43. Faced with the practical problem of assuring a fair distribution of the pension proceeds, the Weir court suggested a deferred distribution method whereby the interest in the fund would be calculated and distributed once the funds became available. Id. at 134-35, 413 A.2d at 640-41; see Kikkert v. Kikkert, 177 N.J. Super. 471, 478, 427 A.2d 76, 80 (Super. Ct. App. Div.), aff'd, 88 N.J. 4, 438 A.2d 317 (1981). Alternatively, the court could ascertain the present value of the proceeds and distribute them immediately. Weir v. Weir, 173 N.J. Super. at 135, 413 A.2d at 641. Although the present value may be inexact and calculation may be difficult, it avoids the continued hostility which accompanies the "long term and deferred sharing of financial interests." Kikkert v. Kikkert, 177 N.J. Super. at 478, 427 A.2d at 79.

Adopting the Weir rationale that a right to receive a future asset is a form of deferred compensation, the Kikkert court recently subjected to equitable distribution a pension interest contingent upon the holder reaching an unattained age. Id. at 476-77, 427 A.2d at 77-79; see Weir v. Weir, 173 N.J. Super. at 133-34, 400 A.2d at 640. The Kikkert court observed that "[e]ach spouse had the same expectation of future enjoyment with the knowledge that the pensioner need only survive to receive it." 177 N.J. Super. at 476-77, 427 A.2d at 79.

Both spouses, therefore, are forebearing income which they would receive absent the pension. Consequently, an equitable distribution of the noncontributory pension is in order.\(^4\)

While New York's statute enumerates the loss of pension rights as a factor to be considered in determining the impact of the dissolution of the marriage,\(^4\) it leaves the determination of when a pension becomes a right to judicial interpretation. By employing a broad range of permissible discretion, New York courts will be able to include nonvested pensions without resort to various formulae to obtain this result.\(^4\) Such a step would go further than the present New Jersey law and would follow the rationale of several common-law property states which use the theory of equitable distribution upon divorce.\(^4\) In view of the trend toward examining the equities of a particular case, it appears unlikely that New York will define pension rights merely as those which have vested.

The Connecticut statute, although not expressly including pensions, would allow the consideration of pensions in making an equitable distribution.\(^4\) Nonetheless, the statute expressly requires

\(^{46}\) In Blitt v. Blitt, 139 N.J. Super. 213, 218, 353 A.2d 144, 147 (Super. Ct. Ch. Div. 1976), the court took judicial notice of the fact that "lucrative profit sharing and pension plans are realistically wage substitutes." Id.; see note 36 and accompanying text supra.

\(^{47}\) N.Y. DOM. REL. LAW § 236(B)(5)(d)(4) (McKinney Supp. 1980-1981). This section of the statute requires that "the loss of inheritance and pension rights upon dissolution of the marriage" be considered when marital assets are distributed upon divorce. As one of the 10 factors enumerated in subsection five, the loss of pension rights is a concrete guideline designed to assist the trial court in its exploration of the financial condition of the parties. See, e.g., Martinez v. Martinez, 7 Fain. Law Rep. 2781, 2782 (N.Y. Sup. Ct. Nassau County 1981); Ettinger v. Ettinger, 107 Misc. 2d 675, 676, 435 N.Y.S.2d 916, 917-18 (Sup. Ct. Nassau County 1981).

\(^{48}\) Cf. In re Marriage of Brown, 15 Cal. 3d 838, 841-42, 544 P.2d 561, 562-63, 126 Cal Rptr. 633, 634-35 (1976) (en banc) (pension rights derived from marital contributions represented deferred compensation regardless of whether the pensionholder's rights had "vested" during the marriage).


\(^{49}\) The Connecticut equitable distribution statute grants the court broad discretion when distributing property upon divorce. Section 46b-81(c) provides in pertinent part: In fixing the nature and value of the property, if any, to be assigned, the court, after hearing the witnesses . . . shall consider the length of the marriage, the causes for the annulment, dissolution of the marriage or legal separation, the age, health, station, occupation, amount and sources of income, vocational skills, employability, estate, liabilities and needs of each of the parties and the opportunity
that a court consider the contribution of each party to the asset. Operating on the theory that a wife’s contribution to the marriage as a homemaker offsets a husband’s earnings, a Connecticut court could render an opinion finding an equal contribution by each spouse toward the husband’s pension benefits. At the present time, however, there is no Connecticut case law pertaining to the disposition of pensions in an equitable distribution.

Federal and quasi-federal pensions may present special problems. Under the New Jersey case of Hipsley v. Hipsley, a retirement pension under the Federal Railroad Retirement Pension Act is not subject to equitable distribution. Comparing the development of coverage and rates in the Railroad Retirement Act and the Social Security Act, the court found striking parallels between them. Noting that the railroad benefits replace rather than

of each for future acquisition of capital assets and income.


Conn. Gen. Stat. § 46b-81(c) (1981). The Connecticut statute directs the court to “consider the contribution of each of the parties in the acquisition, preservation or appreciation in value of their respective estates.” Id.

By statute or decision, 28 states currently include the services of the homemaker as a factor in determining an alimony award or the distribution of property. Freed & Foster, Divorce in the Fifty States, supra note 1, at 246. The contribution of the homemaker to the acquisition of income or property during the marriage has been viewed as an important consideration in the determination of any “equitable” arrangement. See, e.g., Rothman v. Rothman, 65 N.J. 219, 229, 320 A.2d 496, 501-02 (1974). See generally Burch, Property Rights of De Facto Spouses Including Thoughts on the Value of Homemakers’ Services, 10 Fam. L.Q. 101, 110-14 (1976); Hauserman & Fethke, Valuation of a Homemaker’s Services, 22 Trial Law. Guide 249, 258-62 (1978); Martin, Social Security Benefits For Spouses, 63 Cornell L. Rev. 789, 828-31 (1978); 45 Alb. L. Rev., supra note 11, at 492.


supplement social security benefits, the court concluded that the
"benefits under the railroad retirement plan should no more be
subject to equitable distribution than a comparable employee's
right to social security upon his retirement."55 Because equitable
distribution has not been extended to include the distribution of
Social Security benefits, the Hipsley court likewise refused to sub-
ject the railroad pension to equitable distribution.56

Hipsley anticipated the result in Hisquierdo v. Hisquierdo,57
wherein the United States Supreme Court stated that the railroad
pension "corresponds exactly to those [benefits] an employee
would expect to receive were he covered by the Social Security
Act."58 Indeed, both social security payments and railroad pensions
are protected from general creditors.59 Since Congress had ex-
to a retirement fund, the Hipsley court found several distinguishing factors which prompted
the conclusion that railroad pensions could not be distributed upon divorce. 161 N.J. Super.
at 126-27, 390 A.2d at 1223-24. First, the court noted that contributions to a railroad retire-
ment fund are taxed at special rates and are not taxable upon receipt. Id. at 126, 390 A.2d
at 1223; see Railroad Retirement Act, 26 U.S.C. § 3201 (1976). Furthermore, the court
stated that the benefits are statutory and not contractual in nature. 161 N.J. Super. at 126,
390 A.2d at 1223. The court found most significant, however, the fact that employees cov-
ered by the Railroad Retirement Act are not entitled to receive retirement benefits from the
social security system. Id. at 126-27, 390 A.2d at 1224.

1978).
56 Id. at 128, 390 A.2d at 1224. The Hipsley court reasoned that social security benefits
were not distributable because Congress intended that those benefits provide financial pro-
tection for the employee and his family. Id. at 127, 390 A.2d at 1224. To award a former
spouse a portion of those benefits would be tantamount to supplementing her own social
security payments at the expense of the employee in derogation of the congressional pur-
pose. Id. Since railroad retirement benefits replace social security benefits, similar reasoning
prohibits their distribution upon divorce. Id. at 127-28, 390 A.2d at 1224.

57 439 U.S. 572 (1979). For a discussion of Hisquierdo, see Reppy, Learning to Live
with Hisquierdo, 6 COMM. PROP. J. 5 (1979).
58 Hisquierdo v. Hisquierdo, 439 U.S. 572, 575 (1979); see Allen v. Allen, 363 S.W.2d
312, 315 (Tex. Civ. App. 1962) (wife may not be awarded a portion of anticipated railroad
retirement benefits). See generally Rombauer, Marital Status and Eligibility for Federal

Although domestic relations traditionally has been a matter of local law, the Hisquierdo
Court initially concluded that it had jurisdiction because of a conflict between state commu-
nity property law and the Railroad Retirement Act. 439 U.S. at 581-83. Turning to the
merits, Justice Blackmun observed that any anticipated diminution in pension benefits
would discourage a divorced employee from retiring. Id. at 585. Since that would defeat the
legislative intention to maintain an efficient workforce, a divided Court concluded that Cali-
forina must defer to the federal scheme embodied in the Railroad Retirement Act. Id.
59 439 U.S. at 586-87. Section 231m of the Railroad Retirement Act provides that "no an-
nuity or supplemental annuity shall be assignable or be subject to any tax or to garnish-
ment, attachment, or other legal process." Railroad Retirement Act, 45 U.S.C. § 231m
(1976).
pressly exempted spousal and child support claims from the statutory rule against garnishment, a specific exception also would be required to empower a state court to distribute either social security benefits or railroad pensions. 60 Finding no such exception, the Court held that a railroad pension, like social security benefits, is not subject to distribution as community property upon divorce. 61

Whether the Supreme Court would extend Hisquierdo's rationale to encompass a military pension plan was the issue considered in McCarty v. McCarty. 62 The McCarty Court initially reviewed its prior holding in Hisquierdo, stating:

*Hisquierdo* did not hold that only the particular statutory terms there considered would justify a finding of pre-emption; rather, it held that "[t]he pertinent questions are whether the right as asserted conflicts with the express terms of federal law and whether its consequences sufficiently injure the objectives of the federal program to require nonrecognition." 63

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60 439 U.S. at 583-85. An exception to the prohibition against garnishment enables federal benefits to be reached to satisfy child support or alimony obligations. 42 U.S.C. § 659(a) (1976 & Supp. III 1979). Alimony, however, does not include property subject to equitable distribution or division in accordance with community property principles. Id. § 662(e) (1976 & Supp. III 1979).

61 439 U.S. at 589-90. The *Hisquierdo* Court noted that Congress had not abolished the distinction which it drew for garnishment purposes between alimony and community property. Id.; see notes 52-53 supra. Although the wife in *Hisquierdo* had been employed for 35 years and fully expected to receive social security benefits upon her retirement, those benefits were not claimed to be community property. 439 U.S. at 579. Nevertheless, the wife claimed to be entitled to part of her husband's pension benefits. Id. at 578. See also Reppy, *Community and Separate Interests in Pensions and Social Security Benefits After Marriage of Brown and ERISA*, 25 U.C.L.A. L. Rev. 417, 421-43 (1978) (discussing the extent to which private pension plans may be treated as community property under California law).


In Ridgway v. Ridgway, 102 S. Ct. 49 (1981), a retired army sergeant was required by a divorce decree to maintain his life insurance policy for the benefit of his children. *Id.* at 51. At the time of the divorce, Sergeant Ridgway was insured pursuant to the Serviceman's Group Life Insurance Act of 1965 (SGLIA), 38 U.S.C. §§ 765-779 (1976 & Supp. III 1979) and had named his first wife as beneficiary. 102 S. Ct. at 51; see 38 U.S.C. § 770(a) (1976). The Act gave the servicemen the right freely to designate the beneficiary. 102 S. Ct. at 53. When Ridgway remarried 4 months later he directed that the proceeds of the policy be paid as specified "by law." Under the SGLIA, payment was to be made to the insured's lawful spouse at the date of death. *Id.* at 51-52; see 38 U.S.C. §§ 765(7), 770(a) (1976). After he died, both his first and second wives sued in Maine state court for the proceeds, the former wife seeking the imposition of a constructive trust in favor of his children. 102 S. Ct. at 52. The Supreme Judicial Court of Maine imposed a constructive trust on the proceeds in favor of the Ridgway children. *Id.* The United States Supreme Court reversed, discerning an inconsistency between the state and federal law. *Id.* at 59. Since the SGLIA gives the insured the right to freely designate his beneficiary, the Maine divorce decree was invalid to the extent that it hampered the exercise of that federally created right. *Id.* at 57. By imposing a constructive trust upon the life insurance proceeds, Maine had run afoul of the broad anti-attachment provision of the SGLIA. *Id.* at 58.

*McCarty* v. *McCarty*, 101 S. Ct. 2728, 2736 (1981). In reviewing its decision in *Hisquierdo*, the Court noted that, under the Railroad Retirement Act, a spouse was entitled to a separate annuity subject to termination upon divorce. Military retirement benefits, however, included no similar provision for payments to the spouse. *Id.* at 2737. Thus, the Court concluded, the military pension was not a limited community property, but rather a personal entitlement of the service member. *Id.*; see note 66 infra.

The Court noted that the retired officer remains a member of the service subject to recall to active duty "at any time." 101 S. Ct. at 2736. Moreover, the retiree may forfeit some or all of his benefits if he engages in certain prohibited activities. *Id.* Thus, military pensions differ from ordinary retirement pensions since military pensions can be viewed as reduced compensation for continuing services. *See United States v. Tyler*, 105 U.S. 244, 245 (1881). But *see* Fithian v. Fithian, 10 Cal. 3d 592, 604, 617 P.2d 449, 456-57, 111 Cal. Rptr. 369, 376-77, *cert. denied*., 419 U.S. 825 (1974) (military retirement pay is deferred compensation, not current compensation for reduced services); Kruger v. Kruger, 73 N.J. 464, 470, 375 A.2d 659, 662 (1977).

*1* 101 S. Ct. at 2737, 2738 (quoting H.R. REP. No. 481, 92d Cong., 1st Sess. 9 (1971)); see *10 U.S.C.* § 1434 (1976 & Supp. IV 1980). As evidence of its finding that Congress intended military retirement benefits to be treated as a personal entitlement, the Court noted that an officer could designate a beneficiary to receive unpaid arrearages. Absent arrearages,
in *Hisquierdo*, the Court reviewed the legislative history of the retirement statute, noting that a proposed amendment to allow partial distribution of a military pension in favor of a spouse, former spouse, or child was not included in the Senate bill although it had been passed by the House. The McCarty Court also found significance in two amendments to the Social Security Act. One amendment made all federal benefits, including those payable to members of the armed forces, subject to child support or alimony orders. A subsequent amendment excluded from the definition of alimony any “division of property between spouses or former spouses.”

Discerning a conflict between the federal retirement law and the wife’s claim for community property, the Court inquired whether permitting distribution would frustrate the federal objectives underlying the military pension program. In enacting a military retirement system, Congress had a dual purpose. It intended to provide for the retired service member and to meet the personnel management needs of the military forces. Believing that both goals would be frustrated by the distribution of a military retirement fund, the Court held that any such distribution

however, payments would cease upon death. Id. at 2736-37; cf. Wissner v. Wissner, 338 U.S. 655, 658-59 (1950) (serviceman authorized to select beneficiaries under armed forces life insurance plan).

101 S. Ct. at 2739. The McCarty Court emphasized that Congress intended that the retiree receive his entire pension. The House of Representatives proposed a provision which would have permitted the attachment of half of an individual’s military retirement pay to comply with a court order in favor of a spouse, former spouse, or child. Id. (citing H.R. Rep. No. 481, 92d Cong., 1st Sess. 1 (1971)). The Senate bill did not include such a provision. 101 S. Ct. at 2739 (citing S. Rep. No. 1089, 92d Cong., 2d Sess. 25 (1972)).

101 S. Ct. at 2740. The Court discussed the Social Security Act amendments permitting the garnishment of federal pension payments in the cases of alimony and child support, though not for the equitable distribution of marital property. Id.; see notes 59-60 supra.


101 S. Ct. at 2741. The Court stated the proper test to be whether the “application of community property principles to military retired pay threatens grave harm to ‘clear and substantial’ federal interests.” Id. The federal interest involved relates to the power and necessity of raising and supporting armed forces. Id.; see U.S. Const. art. I, § 8, cls. 12-14.

101 S. Ct. at 2741.

Specifically, the McCarty Court noted that Congress had devised a scheme designed to encourage retirement so that a “youthful and vigorous” military could be maintained. Id. at 2742. The reduction in retirement pay which would result from a property award would discourage retirement and possibly provide an incentive to remain on active duty since current income earned after divorce would not be subject to equitable distribution. Id.
would be impermissible.\textsuperscript{73}

This holding represents an extension of the \textit{Hisquierdo} rationale. In \textit{Hisquierdo}, the Court interpreted a statute which included a limited amount of community property rights, holding that Congress had included only limited rights and consciously decided against enlarging them.\textsuperscript{74} Because the Court in \textit{McCarty} addressed a statute which included no distribution rights, the dissenters thought that the absence of the limited rights present in \textit{Hisquierdo} would require a contrary conclusion.\textsuperscript{75} The proposed amendment to the military retirement benefits legislation, however, indicated that the inference to be drawn was not merely a neutral omission of congressional action.\textsuperscript{76} Rather, having failed to pass the amendment, the demonstrated intent of Congress was to prohibit the distribution of military pensions upon divorce.\textsuperscript{77} Moreover, it should be noted that this rationale may be applicable to private pensions in commerce-related industries which are covered by the Employee Retirement Income Security Act of 1974 (ERISA).\textsuperscript{78}

\textsuperscript{73} \textit{Id.} Addressing the effect of distribution on the individual service member, the \textit{McCarty} Court noted that an award to the former spouse would contravene the congressional intent that the benefits from the retirement fund should belong to the serviceman alone. Military personnel management would also be disrupted by the distribution of retirement benefits because it would diminish the pension's value as an inducement for enlistment or reenlistment.

\textsuperscript{74} \textit{Hisquierdo v. Hisquierdo}, 439 U.S. 572, 584-85 (1979). Recognizing that the statute in question embodied a form of community property, the \textit{Hisquierdo} Court stated that Congress had "carefully targeted the benefits created by the Railroad Retirement Act." \textit{Id.} at 584. Although the statutory balance is delicate, "[i]t is for Congress to decide how these finite funds are to be allocated." \textit{Id.} at 585. Employing an analysis which foreshadowed that applied in \textit{McCarty}, see note 66 \textit{supra}, the Court stated that the reduction of benefits through equitable distribution discourages the divorced employee from retiring because the former spouse cannot claim a community property interest in salary earned after divorce. \textit{Id.}

\textsuperscript{75} \textit{McCarty v. McCarty}, 101 S. Ct. 2728, 2747 (1981) (Rehnquist, J., dissenting). Noting that the statute at issue in \textit{McCarty} did not contain any provision analogous to the annuity provision of the Railroad Retirement Act in \textit{Hisquierdo}, the dissenting Justices suggested that there could be no preemption, since the argument could not be made, as it was in \textit{Hisquierdo}, that Congress had confronted the issue and drawn the line. \textit{Id.} (Rehnquist, J., dissenting). The dissent reasoned that the \textit{Hisquierdo} Court had identified the Railroad Retirement Act's annuity provision as a limited community property concept and had deferred to Congress' \textit{explicit} curtailment of that concept. \textit{Id.} (Rehnquist, J., dissenting); see note 64 \textit{supra}.

\textsuperscript{76} 101 S. Ct. at 2739.

\textsuperscript{77} \textit{Id.}; see notes 58-59 \textit{supra}.

\textsuperscript{78} See 29 U.S.C. §§ 1001-1381 (1976 & Supp. III 1979). Prior cases which have upheld the equitable distribution of ERISA benefits, see, \textit{e.g.}, Biles v. Biles, 163 N.J. Super. 49, 55-
Professional Degrees

Frequently, one spouse finances the other spouse's professional education or simply supports the student spouse during the educational period. Thus, the issue arises whether a professional degree and/or the subsequent increase in earning capacity made available by the degree is an asset subject to equitable distribution. Recently, in *Lynn v. Lynn*, \(^7\) a New Jersey Superior Court addressed this question, holding that a medical degree and license to practice medicine obtained during the marriage are marital assets subject to equitable distribution. \(^8\) Emphasizing the fact that its

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\(^8\) Id. at 3007. Mr. Lynn was a first-year medical student while Mrs. Lynn held a lucrative laboratory position when they were married. *Id.* at 3001. The working spouse sublimated her aspiration to become a doctor to her husband's desire to achieve the identical goal. *Id.* The court found that Mrs. Lynn's contributions to her husband's education were critical and incontrovertible. *Id.* After obtaining his medical degree, Dr. Lynn's earnings still were roughly half those of his wife's. *Id.* Nevertheless, the court found that equity demanded that the medical school degree and license to practice medicine be subjected to equitable distribution. *Id.* at 3007.

Numerous other jurisdictions also have addressed this issue. In *Daniels v. Daniels*, 20 Ohio App. 2d 458, 461, 185 N.E.2d 773, 775 (Ct. App. 1961), an Ohio Court of Appeals concluded that a medical degree constituted property, which could be taken into account by the trial court in awarding alimony. The court, however, did not consider whether the degree was property subject to equitable distribution. See *id.* Similarly, in *Moss v. Moss*, 80 Mich. App. 695, 264 N.W.2d 97 (Ct. App. 1978), the court awarded a wife $15,000 in recognition of her contribution towards the acquisition of her husband's medical degree. *Id.* at 695-96, 264 N.W.2d at 98, noting that it would be "impossible to award the wife a portion of the . . . degree," *id.* at 695, 264 N.W.2d at 98; *accord*, *Inman v. Inman*, 578 S.W.2d 268, 267-68 (Ky. Ct. App. 1979). Notwithstanding the theoretical and practical difficulties involved, a Kentucky appellate court remanded a case with instructions to ascertain a wife's proprietary interest in her husband's dental education based on her monetary contribution toward his enhanced earning capacity. 578 S.W.2d at 268. Because the educational costs precluded the acquisition of significant marital assets, the court stated that this was the only way to achieve an equitable result. *Id.* at 268. Generally, these decisions allowed recovery, apparently in restitution, although the proprietary nature of an educational degree has been recognized. See *In re Marriage of Cropp*, 5 Fam. L. Rep. 2957, 2968 (Minn. Dist. Ct. 1979); *Mahoney v. Mahoney*, 175 N.J. Super. 443, 447, 419 A.2d 1149, 1150-51 (Super. Ct. Ch. Div. 1980); *cf.* *Reen v. Reen*, 8 Fam. L. Rep. (BNA) 2193 (Mass. Prob. & Fam. Ct. 1981) (wife who supported husband throughout dental school entitled to share value of license to practice orthodontia). *But see In re Graham*, 194 Colo. 429, 574 P.2d 75, 77 (1978) (advanced degree has "none of the attributes of property"); *Wilcox v. Wilcox*, 173 Ind. App. 652, 655-56, 385 N.E.2d 792, 795 (Ct. App. 1977) (future income construed not to include property); *In re Marriage of Horstmann*, 263 N.W.2d 885, 891 (Iowa 1978) (degree is not a distributable asset although future earning capacity generated by the degree is distributable); *Hubbard v. Hubbard*, 603 P.2d 747, 750-52 (Okla. 1979) (allowing restitutational recov-
sole concern was the professional license and degree, the *Lynn* court distinguished a prior case which refused to recognize an individual's enhanced earning capacity as a separate item of property.\textsuperscript{81} Indeed, noted the court, previous case law had recognized that the degree itself was a property right.\textsuperscript{82} The *Lynn* court, therefore, subjected the degree to equitable distribution, commenting that "[t]o do otherwise would render courts of equity impotent and unable to do more than recognize what all courts agree to be an 'obvious injustice.'"\textsuperscript{83} Although yet unpublished, it is likely that

\begin{itemize}
  \item Even though expressly rejecting contention that educational degree is distributable); DeWitt v. DeWitt, 98 Wis. 2d 44, 60, 296 N.W.2d 761, 769 (Ct. App. 1980) (lower court erred in holding educational degree was marital property); cf. Aufmuth v. Aufmuth, 89 Cal. App. 3d 446, 461, 152 Cal. Rptr. 668, 678 (Ct. App. 1979) (husband's legal degree is not community property); Todd v. Todd, 272 Cal. App. 2d 786, 78 Cal. Rptr. 131, 135 (Ct. App. 1969) (rejecting conceptualization of legal degree as community property). \textit{See generally Note, Family Law: Ought a Professional Degree Be Divisible as Property Upon Divorce?, 22 WM. & MARY L. REV. 517 (1981) [hereinafter cited as Note, Professional Degree]; Comment, Professional Education as a Divisible Asset in Marriage Dissolutions, 64 IOWA L. REV. 705 (1979).}
  \item *Lynn* v. *Lynn*, 7 Fam. L. Rep. 3001, 3002 (N.J. Super. Ct. Ch. Div. Dec. 5, 1980) (citing *Stern* v. *Stern*, 66 N.J. 340, 345, 331 A.2d 257, 260 (1975)). In *Stern*, the husband's law firm kept an account for the payments that would be due to each partner upon his death. Although adopting that value and the value of his capital account as the presumptive value of his partnership interest, 66 N.J. at 346, 331 A.2d at 259-61, the court nevertheless held that the husband's earning capacity was not a separate asset subject to distribution, \textit{id.} at 345, 331 A.2d at 260. The *Stern* court stated, however, that enhanced earning capacity is a permissible consideration when determining an equitable distribution or calculating alimony. \textit{Id.}
  \item 7 Fam. L. Rep. at 3005 (citing *Mahoney* v. *Mahoney*, 175 N.J. Super. 443, 447, 419 A.2d 1149, 1150-51 (Super. Ct. Ch. Div. 1980)). The wife in *Mahoney* was employed throughout the marriage and she supported the household during a 16-month period while her husband attended graduate school. 175 N.J. Super. at 444-45, 419 A.2d at 1149. During that period she also paid all of her husband's educational expenses. \textit{Id.} at 445, 419 A.2d at 1149. The court reimbursed Mrs. *Mahoney*, observing that to do otherwise would unjustly enrich her husband. \textit{Id.} at 446, 419 A.2d at 1150. It is suggested that the premise underlying the decision in *Mahoney* was that spousal contributions to the education of the other spouse constitute investments in the marital partnership. \textit{See id.}

The *Mahoney* court noted that *Stern* v. *Stern*, 66 N.J. 340, 331 A.2d 257 (1975); \textit{see note 81 supra}, merely held that enhanced earning capacity was not a distinct asset. 175 N.J. Super. at 445, 419 A.2d at 1149-50. Consequently, the question of the intrinsic value of an educational degree was an issue of first impression in the jurisdiction. \textit{Id. Concluding that the educational degree was a property right, the court awarded the wife $5,000 as an "equitable offset."} \textit{Id.} at 447, 419 A.2d at 1150-51.


\item 7 Fam. L. Rep. at 3007 (emphasis in original). Before arriving at its conclusion, the court undertook a thorough examination of the precedent dealing with educational degrees as marital property. \textit{Id. at 3002-06}. The court rejected cases which require the absence of traditional marital property as a prerequisite for the inclusion of a professional degree or
the Lynn rationale is the forerunner of similar New Jersey decisions.

New York also could include an educational degree within marital assets subject to equitable distribution since the statute requires the consideration of "any equitable claim to, interest in, or direct or indirect contribution made . . . to the career potential of the other party." Nonetheless, the Erie County Supreme Court recently refused to subject a medical degree to equitable distribution because the degree had no inherent monetary value. Sub-

license since they produce divergent conceptual results. Id. at 3006. Cases providing implied loan or unjust enrichment remedies also were rejected because they failed to compensate adequately the working spouse. Id. Even the equitable offset cases did not satisfy the legitimate expectations of the working spouse. Id. at 3007. Accordingly, the court subjected the professional degree and license to distribution. Id.

If the value of a professional degree is held to be the increased earning potential, the award may be determined by subtracting the earning capacity without the degree from the earning capacity with the degree. Greene, Dissolution of the "Educational Partnership" Marriage—Professional Degree as Divisible Marital Property, 4 FLA. B.J. 292, 296 (1981). Due to such unforeseeable occurrences as premature death, disability, economic depression, or a change in professions, this award often will be speculative and conjectural. Comment, The Interest of the Community in a Professional Education, 10 CAL. W.L. Rev. 590, 611 (1974).

The recovery also may be measured by calculating the financial contribution that the working spouse made to obtain the educational degree. See, e.g., Inman v. Inman, 578 S.W.2d 266, 269 (Ky. Ct. App. 1979); Hubbard v. Hubbard, 603 P.2d 747, 751 (Okla. 1979). No speculation is required under this approach since the calculation rests on known variables such as tuition costs, fees, and living expenses. See Note, Professional Degree, supra, note 80, at 551; Comment, supra, at 603. The primary pitfall of a cost valuation is its failure to recognize that the value of an education exceeds its cost. Thus, this valuation merely reimburses the working spouse for previous support without providing the expected economic benefit from the subsequent career professional. See Comment, supra, at 592. Historically, however, courts have considered the future earning capacity attributable to a degree when assessing damages in tort actions. E.g., DeHass v. Pennsylvania R.R., 261 Pa. 499, 503, 104 A. 733, 734 (1918). Additionally, the same method may be applied in divorce actions. See generally Denis, Sirman & Drinkwater, Wrongful Death Damages—Fair Compensation for Future Pecuniary Loss Requires Consideration of Economic Trends and Income Tax Consequences, 47 Miss. L.J. 173 (1976); Peck & Hopkins, Economics and Impaired Earning Capacity in Personal Injury Cases, 44 WASH. L. Rev. 351 (1969). This has prompted one commentator to note that "[t]he existence of valuable tools . . . demonstrates that future earning capacity may be characterized as marital property without unmanageable difficulty." 44 Mo. L. Rev. 329, 336 (1979).

84 N.Y. DOM. REL. LAW § 236(B)(5)(d)(6) (McKinney Supp. 1981-1982) enables courts to consider, "any equitable claim to, interest in, or direct or indirect contribution made . . . to the career or career potential of the other party." Id.; see id. § 236(B)(6)(a)(8) (McKinney Supp. 1981-1982).

85 Lesman v. Lesman, 110 Misc. 2d 815, 816, 442 N.Y.S.2d 955, 956 (Sup. Ct. Erie County 1981). The Lesman court expressly rejected Lynn's holding that a medical license is property subject to equitable distribution, stating that a medical license has no intrinsic monetary value. Id. at 816-17, 442 N.Y.S.2d at 956. The court opined that it would be pa-
sequent decisions which hold to the contrary will eventually confront the limited options available to the court when the degree-winning spouse does not obtain a subsequent position of increased income.88

**Distributive Award**

Occasionally, the situation will arise in a matrimonial case where the traditional distribution of assets may be difficult. The framers of the New York statute, therefore, included a unique provision permitting a distributive award in lieu of an actual distribution of property.87 Such a monetary award may be granted when a court decides that an ordinary distribution, though possible, would be burdensome or impractical, or where the distribution of a business, corporation, or professional interest would be illegal.88 The court has discretion to make this award to facilitate, supplement, or effectuate an equitable distribution of marital property.89 Moreover, such distributive award may be payable in a single sum or in fixed periodic amounts.90 The statute stipulates that the payments are not to be treated as ordinary income under the Internal Revenue Code.91 Recently, the New York County Supreme Court employed this provision to distribute predominantly nonliquid assets which could not be converted readily into cash.92

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88 The courts apparently focus on the enhanced earning capacity resulting from the degree. See, e.g., In re Marriage of Horstmann, 263 N.W.2d 885, 891 (Iowa 1978). On this reasoning, the valuation and award should remain the same regardless of whether the anticipated increased income materializes. If the terms of a periodic payment agreement become unconscionable because of a failure to obtain profitable employment, courts should have the power to rescind provisions of the agreement. Cf. Corcoran v. Corcoran, 73 App. Div. 2d 1037, 1038, 425 N.Y.S.2d 402, 404 (4th Dep't 1980) (provision in support agreement which required a reduction in payments upon wife's employment found unconscionable and rescinded).


86 Id.

85 Id.

84 Id. § 236(B)(1)(b).

83 Id. Under the Internal Revenue Code, alimony payments are treated as gross income to the recipient, but are excluded from the payor's gross income. I.R.C. §§ 71(a)(1), 215(a). This includes all periodic payments made under a divorce decree or a written instrument pursuant to a divorce or separation. Id. § 71(a)(1).

Postmarital Increases in Value

New York specifically exempts from equitable distribution the appreciation in value of separate property unless the appreciation is due partially to the contributions of the other spouse.93 The legislature apparently intended to exclude services as a wage earner, parent, spouse, homemaker, or any other career advancement factor from the category of spousal contributions toward the appreciation in value of separate property.94 Accordingly, an appreciation in value of separate property will not be distributed to a spouse who cannot "correlate how and in what manner her indirect spousal efforts or services led to the appreciation in value" during the marriage.95 By way of contrast, New Jersey exempts from equitable distribution any increase in value of separate property which is attributable to the efforts of either spouse.96

County). The nonliquid assets in Jolis included an equity interest in a New York cooperative apartment, a French studio cooperative apartment used in the husband's European business, and farm acreage which had been appraised for a potential sale in 1983. Id. Justice Cohen ordered that all of the material property be distributed in equal portions over a 3-year period. Id. at 12, col. 4.

93 N.Y. Dom. Rel. Law § 236(B)(1)(d)(3) (McKinney Supp. 1980-1981). Governor Carey recognized that upon dissolution of a marriage, "property accumulated during the marriage should be distributed in a manner which reflects the individual needs and circumstances of the parties regardless of the name in which such property is held." Memorandum of Gov. Carey (June 22, 1980), reprinted in GUIDE TO NEW YORK EQUITABLE DISTRIBUTION, supra note 6, at 608. One of the considerations is "any . . . direct or indirect contribution made to the acquisition of such marital property by the party not having title, including . . . contributions . . . as a spouse." N.Y. Dom. Rel. Law § 236(B)(5)(d)(6). An appreciation in value of separately held property, when due in part to contributions from a spouse, apparently is considered as property acquired during the marriage. This view was adopted in response to a concern that the services of a homemaker might be undervalued. 45 ALB. L. REV., supra note 11, at 492. Because New York's statute was designed to eliminate previous injustices, it was necessary to recognize a spouse's contributions, as homemaker or wage earner, during the marriage. Id.

94 Jolis v. Jolis, N.Y.L.J., Nov. 4, 1981, at 11, col. 1 (Sup. Ct. N.Y. County). The Jolis court observed that the legislature expressly omitted "spousal career advancement factors" from characterization as contributions toward the appreciation in value of separate property by including such factors exclusively in the provisions governing awards of maintenance and distributions of marital property. Id. at 11, col. 6 & at 12, col. 1.

95 Id. at 12, col. 1. In Jolis, the wife claimed to have contributed to the appreciation in value of her husband's stock interest in a closely held family corporation. Id. at 11, col. 5. Her claim was premised on the social aid which she provided by serving as his homemaker and frequent companion on global business trips. Id. at 12, col. 1. Deeming these efforts speculative and indirect, the court concluded that the fluctuation in the value of the stock was attributable to market and management factors. Id. Significantly, Mrs. Jolis never participated directly in the business activities of the closely held corporation. Id.

96 The increase in value of "separate" assets resulting after the marriage is eligible for equitable distribution to the extent that the increase is attributable to the efforts of the
Connecticut approaches this question from a different perspective. The statutory language directs the court to “consider the contribution of each of the parties in the acquisition, preservation or appreciation in value of their respective estates.” There is no significant case law to aid in further interpretation. Although the statutory language allows the court broad discretion in determining which assets are subject to equitable distribution, it is silent as to the distributability of spousal contributions which increase the value of assets held by the other spouse.

**Valuation of Assets**

Assets subject to equitable distribution include interests in closely held corporations, stocks, bonds, real estate, and cash. Indeed, the parties have the obligation to supply sufficient information to aid the court in the valuation of these assets. Consequent...
quently, the equitable distribution award usually will be based upon what the court perceives to be the most realistic valuation.\textsuperscript{99} Often, however, the valuation of assets is the most difficult question confronting a matrimonial court.

The New Jersey courts have held that the book value of a closely held corporation may not be its actual value.\textsuperscript{100} Moreover, neither the assessed value nor the dividend income is considered an accurate measurement of the market value of a close corporation.\textsuperscript{101} Rather, New Jersey law has favored the use of the guide-

\textsuperscript{99} See Lavene v. Lavene, 162 N.J. Super. 187, 199, 392 A.2d 621, 627 (Super. Ct. App. Div. 1978); Mandel v. Mandel, 109 Misc. 2d 1, 3-4, 439 N.Y.S.2d 576, 578 (Sup. Ct. Queens County 1981); Gramazio v. Gramazio, 108 Misc. 2d 579, 580, 438 N.Y.S.2d 71, 72 (Sup. Ct. Rockland County 1981). In refusing to allow a jury trial on the issue of equitable distribution, the Mandel court stated that since a matrimonial action was an action in equity, the court must be permitted "to adapt the relief to the circumstances of the case." 109 Misc. 2d at 2, 439 N.Y.S.2d at 577 (citation omitted). Thus, the valuation of marital property is within the discretion of the trial judge. Similarly, the Lavene court noted that "[t]he weight to be accorded to the testimony of [expert] witnesses . . . depends upon the ability of the witness, his knowledge and his experience in the field." 162 N.J. Super. at 199, 392 A.2d at 627 (citation omitted).


Dividends also do not provide a reliable indication of fair market value because past dividends may not bear any relation to present dividend-paying capacity. Rev. Rul. 59-60, 1959-1 C.B. 237, 241. This is especially true in the case of a closely held corporation when an individual or group might continue dividend payments to meet stockholder needs. 162 N.J.
Thus, an appraiser must consider carefully the corporation's nature and history, economic outlook, book value, financial condition, earning capacity, dividend paying capacity, past sales, blockage, goodwill, the market price of competitive stocks, and other intangible assets. The weight accorded each of these factors will depend upon the facts of the particular case.

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103 Lavene v. Lavene, 162 N.J. Super. 187, 193-94, 392 A.2d 621, 624 (Super. Ct. Ch. Div. 1978) (citing Rev. Rul. 59-60, 1959-1 C.B. 237, 238-39). Under the capitalization of earnings method, ownership of a closely held corporation is valued by capitalizing earnings at a reasonable return on investment which is based on relative risk and current interest rates. 162 N.J. at 197, 392 A.2d at 626 (citing Lawinger, Appraising Closely-Held Stock—Valuation Methods and Concepts, 110 Trusts & Est. 816, 817 (1971)). The capitalization rate will vary in each case depending on the nature of the business, the risk involved, and the stability or irregularity of the earnings. Rev. Rul. 59-60, 1959-1 C.B. at 243. In another method of valuation, price earnings ratios of the closely held corporation are compared to those of publicly traded companies in the same or comparable industries. 162 N.J. at 198, 392 A.2d at 626 (citing Lawinger, supra, at 818-19). Despite the difficulties posed by the degree of comparability between the companies and the weight to be accorded the evidence obtained, this method is preferable to selecting a pure earnings ratio based entirely on the assessment of risk and a judgment regarding the requirement for return on investment. Id. The final appraisal of valuation, an appraisal of all underlying assets with adjustments for existing liabilities, can serve as a check on the two previous methods. 162 N.J. at 198-99, 392 A.2d at 626-27 (citing Lawinger, supra, at 818-19). Basically this approach involves a summation of the assets.

An appraiser also must consider the methods of valuation which have been derived from the Revenue Ruling:

1. Capitalization of Earnings: The company’s value as a going concern is measured by the capitalization of indicated earnings at a reasonable return on investment based on relative risk and current interest rates.

2. Comparison with P/E Ratios of Comparable Firms: The company’s ratio of price earnings is compared to those of publicly-traded companies in the same or comparable industry. Adjustments are first made to compensate for differences between such companies and the company being appraised.

3. Value of Assets: All underlying assets, tangible and intangible, are appraised with existing liabilities subtracted.

When evaluating a service business, one must examine net earnings and compare them to the personal services which produced them. The Revenue Ruling approach also is applicable to valuations of corporate stocks. It may be used for valuation of any type of business interest, including partnerships, proprietorships, and intangible assets. New Jersey employs the Revenue Ruling factors when valuating these assets for equitable distribution.


Levy v. Levy, 164 N.J. Super. 542, 547, 397 A.2d 374, 376 (Super. Ct. Ch. Div. 1978); see, e.g., Nehorayoff v. Nehorayoff, 108 Misc. 2d 311, 318, 437 N.Y.S.2d 584, 589 (Sup. Ct. Nassau County 1981). Because of the service nature of one spouse’s medical practice, there was little capital outlay involved in establishing it. 108 Misc. 2d at 320-21, 437 N.Y.S.2d at 590-91. Since the equipment used had little resale value, an evaluation based on return of capital or the value of net assets would be inappropriate. Id. at 318, 437 N.Y.S.2d at 589. The court determined that earnings could be calculated by subtracting the reasonable compensation for services from that which was actually paid. Id.


Stern v. Stern, 66 N.J. 340, 345-47, 331 A.2d 257, 260-61 (1975) (value of the husband’s partnership interest carried on the books of his law firm included in the distribution of assets); Levy v. Levy, 164 N.J. Super. 542, 554-55, 397 A.2d 374, 380-81 (Super. Ct. Ch. Div. 1978) (no good will in the law practice of the husband to be included in distribution where his net income for the past 6 years did not exceed the reasonable value of his ser-
In what has been characterized as a “maiden voyage,” a New York court recently addressed the question of which factors may be considered in determining a spouse’s interest in a closely held corporation. Relying on the Revenue Ruling factors for purposes of valuation, the Nassau County Supreme Court held that an ex-wife was entitled to one-fourth of her husband’s interest in a closely held corporation.110

In addition to the Revenue Ruling factors, a bona fide buy-sell agreement which predates the marital discord also should prove acceptable in the valuation of the stock of a professional closely held corporation.111 An agreement which places a value on the corporation in the event of the death of a stockholder is made by the stockholding spouse contemplating the disposition of his estate.112 Since this valuation is set by the shareholder spouse at a time when he was endeavoring to protect his estate from those within

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110 Nehorayoff v. Nehorayoff, 108 Misc. 2d 311, 322-23, 437 N.Y.S.2d 584, 592 (Sup. Ct. Nassau County 1981). The question of valuation has been addressed by other jurisdictions. E.g., Miranda v. Miranda, 596 S.W.2d 61, 62-63 (Mo. Ct. App. 1980). In Miranda, for instance, a family-owned corporation was valued by computing the value of the corporation’s good will and adding that to the book value. Id. at 63; see Webb v. Webb, 94 Cal. App. 3d 335, 344-45, 156 Cal. Rptr. 334, 339-40 (Ct. App. 1979) (valuation of a business which fell between the nominal market value testified to and the computation of the value of good will by a capitalization of excess earnings method held correct); Lockwood v. Lockwood, 205 Neb. 818, 290 N.W.2d 636, 640 (1980) (valuation of good will of the husband’s accounting practice at $300,000 held to be correct); Hinrichs v. Hinrichs, 37 Or. App. 833, 834, 588 P.2d 130, 131 (Ct. App. 1978) (valuation of business that exceeded its book value held correct); In re Marriage of Freedman, 23 Wash. App. 27, 28, 592 P.2d 1124, 1126 (Ct. App. 1979) (factors to be included in valuing the good will of a law practice included the practitioner’s health, age, reputation, earning power, and comparative success). The Nehorayoff court applied the capitalization of net earnings approach, determining the capitalization rate to be 25%, based on the nature, risks, past performances, and future prospects of the personal service corporation. Id. at 319-21, 437 N.Y.S.2d at 590-91; see Foster v. Foster, 42 Cal. App. 3d 577, 581-84, 117 Cal. Rptr. 49, 52-54 (Ct. App. 1974). See generally 1 A. DeWing, The Financial Policy of Corporations 379-82 (5th ed. 1963).

111 A restrictive agreement may serve to fix the value of corporate stock in a closely held business for estate tax purposes. Weil v. Commissioner, 22 T.C. 1267, 1273-74 (1954); see Comment, Valuation of Shares in a Closely Held Corporation, 47 Miss. L.J. 715, 716 n.4 (1976). By analogy, the value established by a buy-sell agreement may prove equally satisfactory for distribution purposes.

112 In Stern v. Stern, 66 N.J. 340, 331 A.2d 257 (1975), a law firm kept records of the value of partnership interests payable on any partner’s death. Id. at 346, 331 A.2d at 260. The court upheld the trial court’s use of that value along with the value of the husband’s capital account as the presumptive value of the husband’s partnership interest. Id. at 346, 331 A.2d at 261.
the corporation, it provides a reliable indication of the value of his interest, especially when the other stockholders have been reluctant to cooperate.

The valuation of a professional corporation involves unique considerations. Unlike other business entities, the professional corporation generally has few assets and high income. Generally, the assets to be valued include accounts receivable, goodwill, and tangible assets such as office equipment, furniture, and a building or lease. Liabilities such as accounts and notes payable must be subtracted from this valuation. Currently, the most widely accepted method of valuation for professional corporations is comparative sales for similar corporations.

An independent valuation will be the most persuasive evidence of the value of a closely held corporation. Prudent estate planning is required to analyze the alternatives available to minimize potentially adverse tax consequences. To achieve this end, an increasing number of matrimonial practitioners are relying on professional expertise in the areas of accounting and estates.

DETERMINING AN EQUITABLE DISTRIBUTION

As previously noted, defining property as marital or separate is merely the initial consideration in arriving at an equitable distri-

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113 Professional corporations provide services of a personal nature. As such, their incomes are guaranteed by the individuals in the corporation rather than by the tangible assets. See 3B J. MERTENS, LAW OF FEDERAL INCOME TAXATION § 22.50, at 399-400 (1980).


115 Welch, Discovery and Valuation in a Divorce Division Involving a Closely-Held Business or Professional Practice, 7 COMM. PROP. J. 103, 104-05 (1980); see G. DESMOND & R. KELLEY, BUSINESS VALUATION HANDBOOK § 1.05-3, at 12 (1977) (professional appraisal may be sole method of securing objective valuation). See generally Schreier & Joy, Judicial Valuation of “Close” Corporation Stock: Alice in Wonderland Revisited, 31 OKLA. L. REV. 853, 857 (1978); Comment, supra note 111, at 742.

bution. Generally, a court is required to distribute property in a manner that is fair and just, considering all of the circumstances. In carrying forth this procedure, all three states are guided by specifically enumerated guidelines.

**Trial Court Guidelines**

These guidelines have been outlined by case law in New Jersey. In *Painter v. Painter*, the New Jersey Supreme Court approved a list of thirteen criteria. Additionally, the New Jersey courts have adopted section 37 of the Uniform Marriage and Divorce Act. Similar criteria are set forth by statute in New York and Connecticut. In the absence of an agreement, the New York statute directs a court to consider ten nonwaivable factors. Connecticut's guidelines consist of sixteen interrelated factors.

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117 Painter v. Painter, 65 N.J. 196, 211, 320 A.2d 484, 492 (1974). The *Painter* court noted that the 13 criteria were illustrative but not exhaustive of the permissible considerations. The matrimonial judge should consider the respective age, background and earning ability of the parties, the duration of the marriage, the standard of living during marriage, the money or property brought into the marriage by each spouse, the present income of the parties, the property acquired during the marriage by either or both of the parties, the source of the acquisition, the current value and income producing capacity of the property, the debts and liabilities of the parties, the present mental and physical health of the parties, the probability of continued employment at present or increased earnings, the effect of distribution on the ability to pay alimony and child support, and interspousal gifts during marriage. The *Painter* decision noted that the trial judge must consider all of the individual circumstances. *Id.* at 212, 320 A.2d at 492.


New Jersey has adopted alternative B primarily because it specifies that equitable distribution should take place without regard to marital misconduct. See Chalmers v. Chalmers, 65 N.J. 186, 193-94, 320 A.2d 478, 482-83 (1974) ("[t]he concept of fault is not relevant to such distribution since all that is being affected is the allocation to each party of what really belongs to him or her").

119 See notes 124-127 infra.


121 Connecticut's guideline criteria, enumerated in CONN. GEN. STAT. § 46b-81(c) (1981), consist of 16 interrelated factors. The factors to be considered are: the length of the mar-
Upon a cursory examination, the reader may appreciate the basic similarities among the three sets of guidelines. Some differences, however, do exist. The Painter guidelines, for example, refer to the importance of interspousal gifts, whereas no such reference is found in the New York or Connecticut guidelines. Connecticut has distinguished itself by adding the contribution of each party in the acquisition, preservation, or appreciation in value of their respective estates as a consideration.

It is clear that New York studied the successes and failures of its neighbors in framing its guidelines. The New York statute includes three factors not mentioned in either Connecticut or New Jersey. One factor takes into account the loss of inheritance or pension rights upon dissolution of the marriage. Another factor considers the impossibility or difficulty of evaluating any component asset or distributing any interest in a business, corporation, or profession. It also considers the economic desirability of retain-
PROPERTY DISPOSITION UPON DIVORCE

ing such an asset or interest free from any claim or interference by the other party. This factor is part of the aforementioned distributive award provision. Despite the specificity of the statute, New York leaves some discretion to the courts by the inclusion of a provision which allows the court to consider “any other factor which the court shall expressly find to be just and proper.”

Role of Marital Fault

Under the common law, marital fault was an integral part of any proceeding to determine property rights upon divorce. While statutory reform has mitigated the harshness of the common law, the attitudes associated with the earlier law may be slow in changing. The resulting situation renders the role of marital fault unclear. What follows is a clarification of the current situation.

Marital fault is not expressly mentioned in New York’s statute. It is possible, however, in a case where grievous marital mis-

make a distributive award to supplement, facilitate or effectuate a distribution of marital property.  
Id. § 236(B)(5)(e). Although the distributive award technique is useful in instances where it is more advantageous to keep an economic asset intact, it does not eliminate the need to make an evaluation of the worth of the interest in the business, corporation, or profession in question.

128 See note 125 supra.

129 N.Y. DOM. REL. LAW § 236(B)(5)(d)(10) (McKinney Supp. 1981-1982). The “wild card” provision was the result of compromises regarding the relevance of marital misconduct. See Foster, Commentary on Equitable Distribution, supra note 6, at 49. Although marital fault expressly was excluded from the initial drafts of subdivisions five and six, regarding child support, the compromise resulted in the deletion of the express exclusion. Id.

One New York court asserted that the “wild card” provision authorized the equitable division of property between the spouses. Kobylack v. Kobylack, 110 Misc. 2d 402, 405, 442 N.Y.S.2d 392, 394 (Sup. Ct. Westchester County 1981). In Kobylack, the court determined that the husband and wife contributed to the marital expenses in a 2.5 to 1 ratio. Id. at 408, 442 N.Y.S.2d at 395. Consequently, the court declared that the property in question should be divided in accordance with that ratio. Id. The court also noted that although marital misconduct may be considered in the division of property, apparently pursuant to the “wild card” provision, that factor was inapplicable in the instant case. Id.

While the aforementioned criteria form the basic considerations given by the respective courts, they are not exclusive. The Connecticut statutory guidelines have been supplemented by subsequent case law. See, e.g., Posada v. Jacobson, 177 Conn. 259, 413 A.2d 854, 856 (1979); Aguire v. Aguire, 171 Conn. 312, 370 A.2d 948, 949 (1976); An analysis of the Connecticut courts’ application of the statutory criteria may be found in Gordon, Connecticut Alimony and Property Law, in GUIDE TO NEW YORK EQUITABLE DISTRIBUTION, supra note 6, at 541.

New York may rely on case law and statutory guidelines developed in other jurisdictions for guidance in construing its statute. The difficulty, however, lies in predicting which precedents the New York courts will follow. 45 ALB. L. REV., supra note 11, at 507.
conduct is a material factor, fault may be considered as a "factor which the court shall expressly find just and proper." As a leading commentator explained upon the unveiling of the New York statute, however, the purpose of the new law is to determine economic justice and not to punish marital fault. Despite this admonition, the Suffolk County Supreme Court recently held that marital fault may be considered when distributing marital property, though it may not preclude such an award. Additionally, the Nassau County Supreme Court has concluded that the axioms of equity have not been abrogated by the new equitable distribution law. Consequently, the court refused to award any share in the marital premises to a husband who had come into court with unclean hands. Unless its unusual nature requires that the assets be given to the innocent spouse, marital fault may not be considered in New Jersey. Connecticut courts have held that fault may

128 See note 127 supra.

129 Since section 236 operates on the premise that marriage is an economic partnership, the distribution of marital property and the determination of maintenance should rest largely upon financial need and ability, irrespective of marital fault. Foster, An Explanation of the New York 1980 Equitable Distribution Law, 6 Fam. L. Rep. 2651, 2651 (1981). Unlike the predecessor section, which contained a provision that automatically barred alimony if the spouse was guilty of misconduct, N.Y. Dom. Rel. Law § 236 (McKinney 1977), the amended section does not include marital fault as a consideration when distributing property or awarding maintenance. N.Y. Dom. Rel. Law §§ 236(B)(C)(1)-(10), 236(B)(6)(a)(10) (McKinney Supp. 1981-1982).


132 Id.

133 Chalmers v. Chalmers, 65 N.J. 186, 193, 320 A.2d 478, 482 (1974). The Chalmers court held that an adulterous relationship should not be considered when distributing marital property. Id. at 193-94, 320 A.2d at 482-83. The court reasoned that it may be impossible to ascertain who should bear the responsibility for the marital discord when the "fault" is merely a manifestation of an unhealthy relationship. Id. at 193, 320 A.2d at 482. Additionally, the court observed that equitable distribution is merely a reallocation of a spouse's contribution toward the acquisition of marital property and fault is irrelevant to such a distribution. Id. at 194, 320 A.2d at 482. Finally, the court noted that section 307 of the
be raised in marital dissolution actions for the purpose of establishing spousal obligations.\textsuperscript{134}

Economic fault often is a question before the court. Generally, economic fault will arise when one spouse has depleted the assets for purely personal acquisitions. A court which is presented with this problem may choose to place the depleted assets among that spouse’s list of assets if the remaining assets are sufficient to compensate the innocent spouse. Typically, however, the guilty spouse has depleted most, if not all, of the assets subject to equitable distribution, thereby leaving nothing to be distributed to the other spouse. In this situation, a court may require the judicial sale of the asset which was acquired with the marital asset or its proceeds in order to compensate the other spouse.\textsuperscript{135}

Uniform Marriages and Divorce Act “provides for the distribution of marital property ‘without regard to marital conduct.’” \textit{Id.}

In D’Arc v. D’Arc, 164 N.J. Super. 226, 395 A.2d 1270 (Super. Ct. Ch. Div. 1978), a wealthy wife proved by a preponderance of the credible evidence that her husband had attempted to murder her. 164 N.J. Super. at 237, 395 A.2d at 1276. In holding that marital fault should be considered in distributing the marital property, the court indicated that the husband in D’Arc contributed only insignificantly to the marriage. Thus, there was no marital estate. \textit{Id.} at 241, 395 A.2d at 1278. More importantly, however, the fault involved in D’Arc was “so evil and outrageous” as to “shock the conscience of everyone.” \textit{Id.} Concluding that there was no absolute statutory bar prohibiting the consideration of fault in the distribution of marital assets, the court held that equity dictated that the vast majority of the assets be distributed to the wife. \textit{Id.} at 243, 395 A.2d at 1279.

\textsuperscript{134} E.g., Edge v. Commissioner of Welfare, 34 Conn. Supp. 284, 388 A.2d 1193, 1194-95 (C.P. 1978); see Posada v. Posada, 179 Conn. 568, 569, 427 A.2d 406, 408 (1980). Although marriage may terminate without regard to fault, 179 Conn. at 569, 427 A.2d at 408 (citing Joy v. Joy, 178 Conn. 254, 256, 423 A.2d 895, 896 (1979)), “no-fault divorce does not mean that the causes of a marital break-up are always irrelevant.” 179 Conn. at 569, 427 A.2d at 408. CONN. GEN. STAT. § 46(b)-82 (1975), enables a trial court to consider “the causes for the annulment, dissolution of the marriage or legal separation” when deciding if alimony should be awarded. \textit{Id.}

\textsuperscript{135} Unlike marital fault, which involves misconduct of a spouse giving rise to a separation or divorce, economic fault concerns the attempt by one spouse to frustrate the other spouse’s right to equitable distribution or maintenance. It is not the immorality of the spouse’s act which warrants investigation, but the adverse economic impact on the family partnership which results from the squandering of marital assets. Because marriage is viewed as a partnership, unjust enrichment will result unless the wasteful dissipation of marital assets is considered when distributing the partnership assets. Foster, \textit{Commentary on Equitable Distribution}, supra note 6, at 58. Ensuring that the legal duty to support is fulfilled should be the objective. Tobey v. Tobey, 165 Conn. 742, 345 A.2d 21, 25 (1974); cf. Hotkowski v. Hotkowski, 165 Conn. 167, 170, 328 A.2d 674, 676 (1973) (primary basis for alimony award is continuing support of wife). Ten states presently include economic misconduct as a factor in determining an award of property, maintenance or alimony. Freed & Foster, \textit{Divorce in the Fifty States,} supra note 1, at 248 (Table III — 3(c)). For statutory schemes which permit the court to consider the wasteful dissipation of the family assets in a
Role of the Homemaker

New York statutorily characterizes the role of the homemaker as a marital contribution. Thus, it must be considered with the earning spouse's income contribution in making an equitable distribution award. The New Jersey Supreme Court adopted a similar rule when it approved section 37 of the Uniform Marriage and Divorce Act. In Connecticut, however, statutory and case law are


If a spouse attempts to frustrate the other spouse's equitable share of the marital assets through a fraudulent sale of the assets, the aggrieved spouse may obtain a temporary restraining order mandating that the marital assets not be significantly disturbed or reorganized. Froelich-Switzer v. Switzer, 107 Misc. 2d 814, 814-15, 436 N.Y.S.2d 123, 124 (Sup. Ct. N.Y. County 1981). Injunctive relief will be granted in special circumstances when the spouse seeking the injunctive relief shows the likelihood of ultimate victory and proves that the injunction is vital to prevent irreparable injury by the other spouse. See deKwiatkowski v. deKwiatkowski, N.Y.L.J., May 7, 1981, at 7, col. 2 (Sup. Ct. N.Y. County) (issuance of an injunction does not place any “unreasonable restraint or unduly heavy burden” on the parties as long as they are treated equally); Bisca v. Bisca, 108 Misc. 2d 227, 230, 437 N.Y.S.2d 258, 260 (Sup. Ct. Nassau County 1981) (injunctive relief is a drastic remedy that should be used sparingly and only to prevent threatened acts); Annexstein v. Annexstein, N.Y.L.J., Mar. 24, 1981, at 7, col. 2 (Sup. Ct. Kings County) (nothing in the equitable distribution statute deprives an equity court of traditional powers of injunctive relief); Franzese v. Franzese, 108 Misc. 2d 154, 157, 436 N.Y.S.2d 979, 981 (Sup. Ct. Westchester County 1981) (injunctive relief denied due to the absence of facts showing imminence of feared activity).

N.Y. Dom. Rel. Law § 236(B)(5)(d)(6) (McKinney Supp. 1981-1982). Section 236(B)(5)(d)(6) provides that the court in distributing marital property may consider “[a]ny . . . contribution made to the acquisition of such marital property by the party not having title . . . including services as a spouse.” Id. Additionally, the New York statute provides that the contribution for spouses as homemakers also must be considered when determining maintenance awards. Id. § 236(B)(6)(a)(8).

Painter v. Painter, 65 N.J. 196, 211-12, 320 A.2d 484, 492 (1974). Painter included section 307 of the UMDA in its list of illustrative factors. See note 118 supra. Alternatives A and B of section 307 require the consideration of the contribution of a spouse as a homemaker in apportioning property. UMDA § 307, reprinted in 9A Uniform Laws Annotated (1979). Indeed, the equitable distribution statutes have at least one common purpose:

[They seek] to right what many have felt to be a grave wrong. [They give] recognition to the essential supportive role played by the wife in the home, acknowledging that as a homemaker, wife and mother she should clearly be entitled to a share of family assets accumulated during the marriage.

silent on this subject. The lack of commentary has led some authorities to conclude that no comparable recognition of the homemaker rule exists in Connecticut.  

Judicial Discretion in Determining An Award

Indisputably, the most important factor in an equitable distribution is judicial discretion. All three states have recognized the prominence of judicial discretion in the implementation of what essentially is a doctrine of fairness. They have, however, ap-

107, 113, 415 A.2d 1174, 1177-78 (Super. Ct. App. Div. 1980). In Gibbons, the court expanded on the partnership theory of marriage enunciated in Rothman v. Rothman, 65 N.J. 219, 229, 320 A.2d 496, 501-02 (1974). The court reasoned that the noneconomic duties that the homemaker contributes to the marital relationship are as imperative to the partnership as any economic factors. 174 N.J. Super. at 113, 415 A.2d at 1177-78. Recognizing that the equitable distribution award must be based on the totality of the contributions made to the marital partnership, the court concluded that equitable distribution "gives recognition to the essential supportive role played by the wife in the home, acknowledging that as homemaker, wife and mother, she should clearly be entitled to a share of family assets accumulated during the marriage." 174 N.J. at 113, 415 A.2d at 1175. See also Burch, supra note 51, at 110-14; Hauserman & Fethke, supra note 51, at 250-61. For cases regarding the evaluation of homemaker services in other jurisdictions, see In re Marriage of Morrison, 20 Cal. 3d 437, 453, 573 P.2d 41, 52, 143 Cal. Rptr. 139, 150 (1978); Eschenburg v. Eschenburg, 171 Mont. 247, 557 P.2d 1014, 1016 (1976).

128 See generally Freed & Foster, Divorce in the Fifty States, supra note 1, at 246 (Table III); see CONN. GEN. STAT. ANN. 46b-81(c) (West Supp. 1981). See also UMDA § 307. For a detailed list of states containing "homemaker provisions," see D. Free, Factors For Equitable Distribution, in GUIDE TO NEW YORK EQUITABLE DISTRIBUTION, supra note 6, at 201-03.

129 See CONN. GEN. STAT. ANN. § 46b-81(c) (West Supp. 1981); N.J. STAT. ANN. § 2A:34-23 (West Supp. 1981); N.Y. DOM. REL. LAW § 236(B)(5)(d)(10) (McKinney Supp. 1981-1982). In the early case of German v. German, the Connecticut Supreme Court stated:

In New York State as with us, divorce, with its incident of alimony, is a creature of statute. . . . It does not, however, follow that an action for divorce is one at law. The Legislature can create equitable rights and provide equitable remedies as well as it can those cognizable in the law courts. Obviously the relief given in a divorce action is not such as could be granted in a common-law court, but is essentially equitable in its nature.

proached the method of allocation in different ways.\textsuperscript{140}

Due to the general language of the Connecticut statute, trial judges are afforded broad discretion in the equitable distribution of marital assets.\textsuperscript{141} The Connecticut courts have supported this view, recognizing that trial courts "have a distinct advantage over an Appellate Court" when resolving property disputes.\textsuperscript{142} Notably, an abuse of discretion will not be found unless the conclusion of the trial court was not rationally based.\textsuperscript{143} Moreover, a trial court need not recite the statutory language of the factors considered in reaching its conclusion provided that the decision as a whole clearly indicated that they were appropriately taken into account.\textsuperscript{144} In addition, the trial court is not obligated to make conclusory findings regarding each of the statutory considerations.\textsuperscript{145} Finally, a Connecticut court may order the transfer of an interest in a jointly held marital home as part of an alimony award even

In Gibbons v. Gibbons, 174 N.J. Super. 107, 415 A.2d 1174 (App. Div. 1980), both spouses were independently wealthy. Emphasizing that each spouse had been "supportive" of the other's needs during the marriage, the court stated that "neither need nor direct contribution to the acquisition of assets is in any measure a dispositive factor." \textsuperscript{146}Id. at 114, 415 A.2d at 1178. Marriage is a joint enterprise, the court reasoned, which depends on "the conjunction of multiple components, only one of which is financial." \textsuperscript{147}Id. at 113, 415 A.2d at 1177.

In a recent New York case, Roussos v. Roussos, 106 Misc. 2d 583, 434 N.Y.S.2d 600 (Sup. Ct. Queens County 1980), the husband complained that the wife's extensive request for production of documents was unduly burdensome. Upholding the wife's demands, the court noted that under the statute it had broad powers to delineate the extent of "marital property" to uncover hidden assets, to discover possible waste, and in general to gather information which may be pertinent to an equitable distribution. \textsuperscript{148}Id. at 585, 434 N.Y.S.2d at 602. \textit{See also} Nehorayoff v. Nehorayoff, 108 Misc. 2d 311, 319, 437 N.Y.S.2d 584, 592 (Sup. Ct. Nassau County 1981) (wife who owned her own business entitled to only 25% of husband's one-half interest in a clinic where she expended minimal efforts in its founding).

\textsuperscript{140}See notes 141-154 and accompanying text \textit{infra}.

\textsuperscript{141}See note 49 \textit{supra}.

\textsuperscript{142}Jacobsen v. Jacobsen, 177 Conn. 259, 262-63, 413 A.2d 854, 857 (1979); see LaBella v. LaBella, 134 Conn. 312, 318, 57 A.2d 627, 629 (1948). In \textit{Jacobsen}, the court noted that when dealing with domestic relations "all of the surrounding circumstances and the appearance and attitude of the parties are . . . significant; the trial court, therefore, has broad discretion." \textsuperscript{143}Id. at 262-63, 413 A.2d at 857.


\textsuperscript{144}See Krause v. Krause, 174 Conn. 361, 364, 387 A.2d 548, 549 (1978). In \textit{Krause}, the husband was appealing the trial court's dissolution of the marriage, contending that the trial court had erroneously failed to consider all of the factors outlined in the statute. The Supreme Court of Connecticut, however, affirmed, holding that the lower court's memorandum of decision clearly indicated a full consideration of all the statutory criteria. \textit{Id}.

\textsuperscript{145}Id.
though the wife’s complaint did not include a claim for such a conveyance.\textsuperscript{148}

New Jersey has adopted a similar view. Again, trial judges have a considerable degree of discretion because of the absence of statutory guidelines.\textsuperscript{147} Since New Jersey possesses a far more extensive body of case law, more definitive limitations have been placed on the exercise of judicial discretion.\textsuperscript{148} The polarity of distributions which will inevitably result when allowance is made for judicial discretion may be illustrated by a comparison of two cases. One court ordered a wife to convey her half-interest in the marital residence, finding that it would be “inequitable, unjust and unconscionable to distribute or award any interest in the marital abode to the wife” under the circumstances.\textsuperscript{149} Another court compensated a wife for contributions to the financial success of her husband, reasoning that “[e]ven a sparring partner can be said to contribute in some measure to the success of an adversary.”\textsuperscript{150}

Desiring to avoid what they perceived to be unbridled judicial discretion elsewhere, the New York legislature granted more limited discretion to trial judges.\textsuperscript{151} New York’s statute enumerates the criteria upon which a judicial decision must be based and re-

\textsuperscript{148} See McKay v. McKay, 174 Conn. 1, 2, 381 A.2d 527, 528 (1977).
\textsuperscript{147} The New Jersey statute provides in pertinent part:
[T]he court may make such award or awards to the parties . . . to effectuate an equitable distribution of the property, both real and personal, which was . . . acquired by them or either of them during the marriage. However, all such property . . . acquired during the marriage by either party by way of gift, devise or bequest shall not be subject to equitable distribution, except that interspousal gifts shall be subject to equitable distribution.
\textsuperscript{149} See notes 149-150 and accompanying text infra.
\textsuperscript{148} Sanders v. Sanders, 118 N.J. Super. 327, 331, 287 A.2d 464, 466 (Super. Ct. Ch. Div. 1972). In divesting the wife of all right, title, and interest in the marital abode, the Sanders court considered the following facts: the residence was acquired and maintained solely by the husband, the disparate ages of the parties, the wife’s upcoming remarriage, the husband’s failing health, and the wife’s refusal to have sexual relations with the husband or perform any of her wifely duties for the greater part of the marriage. Upholding the wife’s claim to one-half of the residence, the court reasoned, would “violate the whole concept of tenancy by the entirety as a protection of the parties to a marriage.” Id. at 330, 287 A.2d at 465-66.
\textsuperscript{150} Scherzer v. Scherer, 136 N.J. Super. 397, 401, 346 A.2d 434, 436 (Super. Ct. App. Div. 1975). Although the marriage had been acrimonious from its inception, the Scherzer court found that the wife had made some effort to make the relationship viable. Moreover, the court stated that even if the wife were “responsible in considerable part for the antagonistic marriage relationship, that factor alone should not bar her from sharing in the marital assets.” Id.
\textsuperscript{151} See Foster & Freed, Family Law, supra note 11, at 357.
quires the court to make a written report outlining the factors which it considered in making its decision. Nevertheless, case law recognizes that discretion is to play a prominent role. In denying a jury trial for issues concerning the division of marital property, custody, maintenance and support, one court held that equitable distribution "is clear and unequivocal—the intent of the statute is to deal with the equitable rights of the parties." Examining the legislative history of the statute, the court concluded that equity would allow the court the discretion to fashion a remedy to fit the particular circumstances of the case.

MAINTENANCE

The Diminished Role of Fault

Traditionally, alimony was awarded on a permanent basis to the wife, provided she was not guilty of misconduct entitling the husband to a judgment of divorce or separation. New York's equitable distribution law, however, envisages alimony as "maintenance"—a flexible concept designed to meet the reasonable needs of the party requiring support regardless of that party's gender.

The New York statute permits the court to direct one spouse to pay maintenance to the other on a temporary or permanent basis "in such amount as justice requires, having regard for the circumstances of the case and of the respective parties." The court is guided by nine specific criteria including, inter alia, the income

152 See N.Y. DOM. REL. LAW § 236(B)(5)(g) (McKinney Supp. 1981-1982); note 11 supra.
154 Id. at 4, 439 N.Y.S.2d at 578.
155 See, e.g., Smith v. Smith, 60 Misc. 2d 692, 693-94, 309 N.Y.S.2d 80, 81 (Fam. Ct. Ontatio County 1969) (wife has no right to alimony where divorce granted to husband was premised on wife's misconduct); Boate v. Boate, 114 Misc. 321, 324, 187 N.Y.S. 321, 323 (N.Y.C. Mun. Ct. Kings County), aff'd, 115 Misc. 689, 190 N.Y.S. 914 (Sup. Ct. App. T. 2d Dep't 1921) (where husband procured divorce decree because of wife's adultery, his obligation to support her terminated); Roth v. Roth, 77 Misc. 673, 676, 138 N.Y.S. 573, 576 (Oneida County Ct. 1912) (adultery of wife is a defense to her action to recover payment due under separation agreement); cf. Hessen v. Hessen, 33 N.Y.2d 406, 412, 308 N.E.2d 891, 895, 303 N.Y.S.2d 421, 427 (1974) (recognizing that loss of right to alimony by wife because of misconduct should be a factor in determining her husband's action for divorce).
and property of both parties, the waste of family assets by a spouse, the tax consequences to each spouse, and a tenth provision which encompasses "any other factor which the court shall expressly find to be just and proper." Thus, while economic fault is mentioned specifically, traditional fault, which precluded an award of alimony under prior law, apparently may now be considered in the discretion of the court under the catch-all provision. Indeed, one New York court recently held that marital fault may even preclude an award of maintenance in an appropriate case. Noting that the legislature did not accord any particular weight to the various statutory criteria used in determining maintenance, the court reasoned that a disallowance based upon marital fault would be permissible in certain situations. Hopefully, any abuse of discretion will be curbed by the statutory provision mandating that the

158 Id. § 236(B)(6)(a)(10).
159 The traditional role of fault was outlined in Taylor v. Taylor, 105 Misc. 2d 998, 430 N.Y.S.2d 29 (Sup. Ct. Orleans County 1980), wherein the court awarded maintenance to a wife although she committed adultery after being abandoned by her husband. Id. at 1000, 430 N.Y.S.2d at 31. Justice Mattina stated that "it is this court's opinion that the newly enacted matrimonial law amending section 236 of the Domestic Relations Law dispenses with misconduct as a bar to alimony relief." Id. at 999, 430 N.Y.S.2d at 31. The court noted that maintenance would be determined based on the statutory criteria and that while the wife's misconduct could conceivably be considered in the catch-all provision, it would be but one of the factors to be weighed. Id. at 1000, 430 N.Y.S.2d at 31. Similarly, in Deschamps v. Deschamps, 103 Misc. 2d 678, 430 N.Y.S.2d 966 (Sup. Ct. Nassau County 1980), the changed role of marital fault was recognized. Id. at 682, 430 N.Y.S.2d at 968. The Deschamps court thwarted a plaintiff-wife's attempt to avoid a defense of marital misconduct by denying her motion to recommence her action under the new statute. Id. The court noted that the new 236(B)(6) did not specifically mention fault "except to the extent that fault might be construed under certain circumstances as a factor under clauses (9) and (10) thereof." Id.

While fault will be considered in the "catch all provision," see Foster, Commentary on Equitable Distribution, supra note 6, at 58; Note, supra note 49, at 93, its role may be minimal in view of the former law's express denial of alimony to the wife on grounds of marital misconduct and the new law's omission of fault.

160 Giannola v. Giannola, 109 Misc. 2d 985, 986, 441 N.Y.S.2d 341, 343 (Sup. Ct. Suffolk County 1981). Although the court did not delineate what would constitute an "appropriate situation" justifying a denial of maintenance because of marital fault, it did note that the financial conditions of the parties must be examined and that the denial must not cause the spouse to become a public charge. Id. An equitable distribution of the marital property, however, may not be precluded because of marital fault. Id.

161 It should be noted that the role of marital fault in determining maintenance was a major stumbling block in enacting the new section 236. Numerous legislators and committee members had demanded that marital fault be expressly included as a factor, but a compromise was reached whereby marital fault could be considered as a "factor which the court [may] expressly find to be just and proper." See Foster, Commentary on Equitable Distribution, supra note 6, at 49.
court enumerate the factors considered and state its rationale for determining the award of maintenance.\textsuperscript{162}

In Connecticut, the statute also provides criteria for determining an alimony award.\textsuperscript{163} Under case law, the award will be upheld unless an abuse of discretion can be shown.\textsuperscript{164} In contrast to New York, however, the Connecticut statute specifically authorizes the court to consider the causes of the marital dissolution—a traditional fault concept.\textsuperscript{165} Although case law dictates that alimony be viewed presumptively as support and not as punishment imposed upon a guilty spouse,\textsuperscript{166} several cases have held that an unjustified

\textsuperscript{162} The New York statute directs the court to identify both the factors considered and the reasons underlying the decision. See N.Y. Dom. Rel. Law § 236(B)(6)(b) (McKinney Supp. 1981-1982). This requirement may not be waived by either party or counsel. Id. Also applicable to the equitable distribution of marital property, see N.Y. Dom. Rel. Law § 236(B)(5)(g) (McKinney Supp. 1981), this identification stipulation was the result of a compromise among members of the Matrimonial Law Committee of the New York County Lawyer's Association, other bar groups, and members of the legislature who disagreed over the degree of judicial discretion permissible in fashioning an equitable distribution of marital property and determining maintenance. See Foster, Commentary on Equitable Distribution, supra note 6, at 51. The bill proposed by Senator Barclay and Assemblyman Furrows favored the “judicial discretion approach”—leaving it to the court to decide what percentage is equitable. The other bill, introduced by Senator Winikow and Assemblywoman Newburger, presumed that marriage is an equal partnership, mandating that the court utilize a 50-50 presumption. Sassower, supra note 7, § 11, at 18, col. 1 (Westchester opinion). The compromise resulted in a set of statutory guidelines and a requirement that the trial judge state the factors and reasons for his determination. See Foster, Commentary on Equitable Distribution, supra note 6, at 51.

\textsuperscript{163} Conn. Gen. Stat. § 46b-81(c) (1981). The factors to be considered by the court include the length of the marriage, the causes for the annulment, dissolution of the marriage or legal separation, the age, health, station, occupation, amount and sources of income, vocational skills, employability, estate and needs of each of the parties and the award, if any, which the court may make as a property settlement. In the case of a parent to whom the custody of minor children has been awarded, the court also determines the desirability of the custodial parent securing employment. Id. § 46b-82.

\textsuperscript{164} See Corbin v. Corbin, 179 Conn. 622, 626, 427 A.2d 432, 434 (1980) (denial of husband's motion for new trial on ground that denial of such a motion rests in discretion of the trial court, reviewable only in case of abuse); Krieble v. Krieble, 168 Conn. 7, 7, 357 A.2d 475, 476 (1975) (decisive issue on appeal of alimony award is whether trial court abused discretion); Baker v. Baker, 166 Conn. 476, 488, 352 A.2d 277, 284 (1974) (amount of alimony awarded is within sound discretion of trial court because of significant advantages that trial courts possess in cases dealing with domestic relations).


\textsuperscript{166} While the Connecticut statute specifically allows consideration of marital fault in determining an alimony award, the case law has assessed alimony primarily on the basis of the support needs of the spouse. See Tobey v. Tobey, 165 Conn. 742, 748, 345 A.2d 21, 25 (1974); Hotkowski v. Hotkowski, 165 Conn. 167, 170, 328 A.2d 674, 676 (1973); Stoner v. Stoner, 163 Conn. 345, 354, 307 A.2d 146, 152-53 (1972) (primary basis for alimony award is the continuing legal duty of a divorced husband to support his wife).
PROPERTY DISPOSITION UPON DIVORCE

separation is a defense to the support obligation.\footnote{In Edge v. Commissioner of Welfare, 34 Conn. Supp. 284, 388 A.2d 1193, 1194 (C.P. 1978), the court held that an otherwise legally liable husband was not required under section 17-82e of the General Statutes to reimburse the state for support payments made to his wife where she left the husband without any fault on his part and where she obviously engaged in adultery leading to the birth of another man's child. See Cantielo v. Cantielo, 136 Conn. 685, 690, 74 A.2d 199, 202 (1950); Rucci v. Rucci, 23 Conn. Supp. 221, 181 A.2d 125, 127 (Super. Ct. 1962).}

New Jersey's alimony statute is relatively brief and merely directs the court to consider the duration of the marriage and the need and ability of the parties to pay alimony.\footnote{N.J. STAT. ANN. § 2A:34-23 (West Supp. 1981).} Any award must be "fit, reasonable and just."\footnote{Id.} Additionally, New Jersey courts have been active in delineating the criteria to be considered in making an alimony award.\footnote{Greenberg v. Greenberg, 126 N.J. Super. 96, 100, 312 A.2d 878, 880 (Super. Ct. App. Div. 1973), enunciates six factors to consider when making an award of alimony: the actual needs of the wife, the husband's actual means and his ability to pay support, the physical condition of the parties, their social position, the separate property and income of the wife and any other factors which bear on fair and reasonable support. Id.}

The award of alimony is closely tied to the factors considered in making an equitable distribution of marital property. The New Jersey Supreme Court has stated that when a case is remanded for reconsideration of equitable distribution, the alimony judgment will be reopened for review. Stern v. Stern, 66 N.J. 340, 349, 331 A.2d 257, 262 (1975); Rothman v. Rothman, 65 N.J. 219, 233-34, 320 A.2d 496, 504 (Sup. Ct. 1974); Painter v. Painter, 65 N.J. 196, 217-18, 320 A.2d 484, 495-96 (1974).

Moreover, one of the factors in determining an equitable distribution of marital property is the "effect of distribution of assets on the ability to pay alimony." 65 N.J. at 211, 320 A.2d at 492. Any minor change in the value of the marital assets eligible for equitable distribution between the date of the separation agreement and the date of the divorce decree may be reflected in the amount of alimony awarded and not in the equitable distribution of the assets. Smith v. Smith, 72 N.J. 350, 362, 371 A.2d 1, 7 (1977); Borodinsky v. Borodinsky, 162 N.J. Super. 437, 447, 399 A.2d 583, 586-89 (Super. Ct. App. Div. 1978).

\footnote{The New Jersey statute allows consideration of marital fault in determining an alimony award. The statute states that "[i]n all actions for divorce other than those where judgment is granted solely on the ground of separation the court may consider also the proofs made in establishing such ground in determining an amount of alimony or maintenance that is fit, reasonable and just." N.J. STAT. ANN. § 2A:34-23 (West Supp. 1981). New Jersey case law, however, has refined the effect of marital fault on alimony awards. Two years after the enactment of New Jersey's statute, the Superior Court of New Jersey held that the lower trial court could not increase an award of alimony based upon the marital fault of the husband. Greenberg v. Greenberg, 126 N.J. Super. 96, 99, 312 A.2d 878, 880 (Super. Ct. App. Div. 1973). The court stated that while marital wrongs were grounds for breaking the marital bond, the legislature did not intend that alimony be awarded as a punitive device. Id. at 100, 312 A.2d at 880. Justice Crahay stated that in enacting the statute, "the Legislature merely meant that trial courts might consider the proofs to support a}
The Marital Standard of Living

While both New Jersey and Connecticut case law require a consideration of the marital standard of living in determining alimony,\textsuperscript{172} the New York statute qualifies the criterion by adding the matrimonial cause of action when it turned to the issue of alimony and support assessment. Examples thereof would include the length of marriage, the mental and physical health of the aggrieved spouse, the mode of living which the parties enjoyed, and the like." \textit{Id.}


In Lynn \textit{v.} Lynn, 165 N.J. Super. 328, 398 A.2d 141 (Super. Ct. App. Div. 1979), the court stated that "'a paramount reason' for alimony is 'to permit a wife to share in the economic rewards occasioned by her husband's income level . . . reached as a result of their combined labors, inside and outside the home.'" \textit{Id.} at 337, 398 A.2d at 145; \textit{see} Gugliotta \textit{v.} Gugliotta, 160 N.J. Super. 160, 164, 388 A.2d 1338, 1340 (Super. Ct. Ch. Div. 1978). While the Lynn court recognized that outrageous marital fault precipitating the dissolution of the marriage might justify barring alimony to the guilty spouse, the court held that an adulterous act committed after desertion by the husband did not constitute outrageous marital conduct. 165 N.J. Super. at 335, 398 A.2d at 144.


phrase "where practical and relevant." Although New York courts have not yet defined what circumstances warrant a consideration of the marital standard of living, it may now be more difficult for a spouse to demand maintenance payments to support a luxurious lifestyle. Indeed, the burden of proving the relevance of the standard of living may be placed upon the party asserting it as a consideration.

Rehabilitative Alimony

When awarding alimony, New York courts must now consider any period of education or training which may be necessary to enable a party to become self-supporting. This progressive concept of rehabilitative alimony has been recognized by an increasing number of jurisdictions. It is predicated on the theory that maintenance should be a temporary measure except in cases where age, health, or other factors favor permanent support.

New Jersey has incorporated rehabilitative alimony into its decisional law. In Turner v. Turner, the court defined rehabilitative alimony as "alimony payable for a short, but specific and ter-


minable period of time, which will cease when the recipient is, in the exercise of reasonable efforts, in a position of self-support.\textsuperscript{178} Reasoning that rehabilitative alimony was not prohibited by statute or case law,\textsuperscript{179} the Turner court awarded the wife alimony for 18 months.\textsuperscript{180} At the completion of that time, the court stated that the wife would be in a financial position to satisfy her needs adequately and maintain her accustomed standard of living.\textsuperscript{181}

In contrast, the Connecticut Supreme Court rejected rehabilitative alimony in Grinold v. Grinold, characterizing it as a "novel and elusive concept."\textsuperscript{182} In Grinold, the lower court had granted the husband’s motion to modify alimony since the wife was "substantially rehabilitated from any adverse socio-economic consequence of her marriage."\textsuperscript{183} Arguably, however, the supreme court’s reversal was grounded on the lower court’s failure to make findings of any change in financial or other circumstances which would have supported a determination of rehabilitation.\textsuperscript{184}

\textsuperscript{179} Id. at 323, 385 A.2d at 1285. But see Arnold v. Arnold, 167 N.J. Super. 478, 481-82, 401 A.2d 261, 263 (Super. Ct. App. Div. 1979). The Arnold court criticized an award of rehabilitative alimony, noting that an advanced determination that alimony shall cease because of the passage of an arbitrary period of time is an a fortiori frustration of established principles relating to alimony and its modification for change of circumstances. Id. at 480, 401 A.2d at 262.
\textsuperscript{180} 158 N.J. Super. at 324, 385 A.2d at 1285-86.
\textsuperscript{181} Id. at 325, 385 A.2d at 1286. The concept of rehabilitative alimony has been endorsed by the New Jersey Supreme Court Committee on Matrimonial Litigation. See N.J.L.J., July 16, 1981, Supp. at 14, col. 1. The Committee stressed that such an award should be discretionary and subject to subsequent modification, if necessary. Id.

The final report of the New Jersey Supreme Court Committee on Matrimonial Litigation was released recently. See Supreme Court Committee on Matrimonial Litigation: Phase Two, Final Report, N.J.L.J., July 16, 1981, Supp. at 1, col. 1 [hereinafter cited as Pashman Committee Report]. The Pashman Committee Report addressed issues of matrimonial procedure, child custody, litigant representation, enforcement of matrimonial orders and judgments, rehabilitative alimony and the establishment of a family court. Although the Committee’s primary concern was the reformation of matrimonial procedure to achieve a balance between judicial discretion, uniformity and predictability, see id. col. 2, its report also marks a new philosophy towards child custody proceedings by endorsing the concept of joint custody. Id. at 8, col. 2 & at 9, col. 1. Additionally, the noncustodial parent should be able to participate to a greater extent in decisions affecting the child. Id.

\textsuperscript{183} 172 Conn. at 193, 374 A.2d at 173.
\textsuperscript{184} See id. at 196, 374 A.2d at 174. The Grinold court noted that “[a] change in financial circumstances was the sole basis of the defendant’s motion to modify. The [lower] court found no showing of such a situation, nor is there a finding concerning any other substantially changed circumstance which would clarify and support the court’s conclusions.
Modification of Alimony Awards

New York courts may modify maintenance awards which were part of a separation agreement which merged into a divorce decree "upon a showing of the recipient's inability to be self-supporting or a substantial change in circumstance, including financial hardship."\(^{185}\) Basically, the changed circumstances standard comports with prior law.\(^{186}\) The alternative showing that a party is self-supporting may result in a more liberal allowance of alimony modification. Additionally, the New York courts now may modify a maintenance award even though it was made pursuant to a separation agreement which survived the divorce decree.\(^{187}\) This provision regarding 'rehabilitation' as a ground for modification.” Id.


While a decree of child support may be modified on the same grounds as maintenance, subdivision 9(b) of Part B of the new section 236 does apply to a distributive award. See N.Y. Dom. Rel. Law § 236(B)(9)(b) (McKinney Supp. 1981-1982). This is logical in light of the purpose of distributive awards. Such awards are in the nature of property settlements based on the parties' holdings during the marriage. See N.Y. Dom. Rel. Law § 236 (B)(5)(e) (McKinney Supp. 1981-1982). See generally Foster, Commentary on Equitable Distribution, supra note 6, at 7-11. Additionally, modification will not be allowed for any sums due which have been reduced to final judgment. N.Y. Dom. Rel. Law § 236(B)(9)(b) (McKinney Supp. 1981-1982).

radically changes prior law which had precluded the court from "rewriting" an agreement which survived divorce.\textsuperscript{188} Furthermore, the statute requires a showing of "extreme hardship" but, if this burden is met, the modified decree will supersede the separation agreement.\textsuperscript{189}

To modify an alimony award, a "substantial change" in circumstances is mandated under the Connecticut statute.\textsuperscript{189} Subsequent cases have expanded this concept and have required that the change be one that was not contemplated by the parties at the time the original decree was entered.\textsuperscript{181} When deciding whether to

Unander v. Unander, 265 Or. 102, 107-08, 506 P.2d 719, 721-22 (1973); Kinne v. Kinne, 82 Wash. 360, 362, 510 P.2d 814, 815-16 (1973). See generally H. CLARK, LAW OF DOMESTIC RELATIONS 452-53 (1968). Subsection 9(b), however, does not refer to modification of a separation agreement which provides for child support. See N.Y. DOM. REL. LAW § 236(B)(9)(b) (McKinney Supp. 1981-1982). Thus, there is no change in prior New York case law dealing with modification of child support agreements. See Boden v. Boden, 42 N.Y.2d 210, 212-13, 366 N.E.2d 791, 794, 397 N.Y.S.2d 701, 703-04 (1977). In Boden, the court of appeals held that a fair and equitable separation agreement dealing with child support should not be disturbed absent "unanticipated and reasonable change in circumstances." Id. at 213, 366 N.E.2d at 794, 397 N.Y.S.2d at 703. It has been suggested that modification of child support provisions was omitted to avoid conflict with the Boden decision. Foster & Freed, Family Law, supra note 11, at 363 & n.71.

\textsuperscript{188} See, e.g., McMains v. McMains, 15 N.Y.2d 283, 284-85, 206 N.E.2d 185, 186-87, 258 N.Y.S.2d 93, 94-95 (1965); Goldman v. Goldman, 282 N.Y. 296, 299-300, 26 N.E.2d 265, 266-67 (1940); Farber v. Farber, 25 App. Div. 2d 850, 850, 269 N.Y.S.2d 608, 610 (2d Dep't 1966); Adams v. Adams, 66 Misc. 2d 378, 380, 320 N.Y.S.2d 636, 638 (Sup. Ct. Nassau County 1971). By allowing a surviving separation agreement to be rewritten and superseded by a subsequent maintenance modification, the statute succeeds in correcting an inequitable and gender discriminatory situation which had been created by New York case law. Under prior New York law, if the separation agreement survived the divorce, the former wife could invoke the state's power to increase her alimony award as "justice requires," based on the concept that the former husband had an obligation to support his wife adequately. Moreover, any agreement relieving the former husband of his obligation was void. Yet, the separation agreement could not be modified based on a change in the husband's circumstances. See Goldman v. Goldman, 282 N.Y. 296, 300, 26 N.E.2d 265, 267 (1940); cf. McMains v. McMains, 15 N.Y.2d 283, 287, 206 N.E.2d 185, 186-87, 258 N.Y.S.2d 93, 98 (1965) (continuing duty of husband cannot be escaped by reliance on any contract).


\textsuperscript{189} Conn. Gen. Stat. § 46b-86(a) (1981); see McGuiness v. McGuiness, 43 Conn. L.J. 3 (Sup. Ct. July 21, 1981). The statute was amended in 1978 to allow the court to modify the payment of periodic alimony in actions for divorce, dissolution of marriage, legal separation, or annulment upon a showing that the party receiving the alimony is living with another person under circumstances which have altered the financial needs of the recipient. Conn. Gen. Stat. § 46b-86(b) (1981); see Kaplan v. Kaplan, 43 Conn. L.J. 3 (Sup. Ct. July 21, 1981).

permit a modification, courts will consider the same type of circumstances that were relevant in making the original award of alimony.\textsuperscript{192}

By case law, New Jersey requires a showing of changed circumstances before a modification of alimony will be ordered.\textsuperscript{193} In \textit{Lepis v. Lepis}, the court listed factors constituting changed circumstances and held that the party seeking modification must demonstrate that the change has substantially impaired his ability to support himself.\textsuperscript{194} Unlike Connecticut, however, the party requesting modification is not limited to demonstrating the occurrence of events which were unforeseeable at the time of the divorce.\textsuperscript{195}

\textbf{PROPERTY SETTLEMENT AGREEMENTS}

Property settlement agreements have become increasingly prevalent as a method of resolving disputes regarding marital property. Presently, the scope of permissible contractual arrangements is greater than that allowed by common law. Parties may "contract out" of equitable distribution and even establish the amount and duration of maintenance.

The New York statute specifies that an agreement must be fair and reasonable when made and not unconscionable when the

\begin{footnotesize}


\textsuperscript{194} 83 N.J. 139, 150-53, 416 A.2d 45, 51-52 (1980). The \textit{Lepis} court enumerated several factual settings in which New Jersey courts have found changed circumstances warranting modification, including an increase in the cost of living, an increase or decrease in the supporting spouse's income, illness, disability or infirmity arising after the original judgment, the dependent spouse's loss of a house or apartment, the dependent spouse's cohabitation with another, subsequent employment by the dependent spouse, and changes in federal income tax law. \textit{Id.} at 151, 416 A.2d at 51 (citations omitted).

\textsuperscript{195} \textit{Id.} at 152-53, 416 A.2d at 52. The \textit{Lepis} court held that the dependent spouse had a continuing right to maintain the standard of living which was reflected in the separation agreement or decree, rather than on the foreseeability of any change in circumstances. \textit{Id.}
judgment is entered.\textsuperscript{196} A novel addition to New York’s divorce law, this provision enables parties to enter into agreements both before and during the marriage\textsuperscript{197} governing inheritance rights, the ownership or distribution of marital or separate property, the amount and duration of alimony, and the care, custody, and maintenance of children.\textsuperscript{198}

In Connecticut, pursuant to the statute, agreements concerning custody, support, alimony, or disposition of property will be examined by the court to determine whether the agreement is “fair and equitable.”\textsuperscript{199} Factors to be considered by the court include the financial resources and needs of the parties and, where applicable, their fitness to have custody or enjoy visitation rights with children.\textsuperscript{200} If the agreement is written and is “fair and equitable”
under all the circumstances, the court will incorporate it into its decree.\footnote{392}{A.2d 473, 474 (1978).}


New Jersey courts subsequently recognized them to the extent that they were "just and equitable."\footnote{202}{Apfelbaum v. Apfelbaum, 111 N.J. Eq. 529, 531, 162 A. 543, 544 (1932) (per curiam). Apfelbaum was overruled in Schlemm v. Schlemm, 31 N.J. 557, 581, 158 A.2d 508, 522 (1960). See, e.g., Aiosa v. Aiosa, 119 N.J. Eq. 385, 386-87, 183 A. 219, 220 (1936); Phillips v. Phillips, 119 N.J. Eq. 462, 463, 183 A. 220, 221 (1936). In Apfelbaum, the court held that the power to enforce a just agreement "grow[s] out of the existing or preexisting marital status, and [is] not controlled by the rules of specific performance of contracts." Apfelbaum v. Apfelbaum, 111 N.J. Eq. at 531, 162 A. at 544.}

This rule was refined further by the Schiff decision in the early seventies.\footnote{203}{Schiff v. Schiff, 116 N.J. Super. 546, 558-62, 283 A.2d 131, 137-39 (Super. Ct. App. Div. 1971).}

Schiff held that "a far greater showing of changed circumstances must be made before the court can modify a separation agreement than need be shown to warrant the court amending an order for alimony or support."\footnote{204}{Id. at 561, 283 A.2d at 139.}

Employing principles of contract law, the court required changed circumstances sufficient "to convince the court that to enforce the agreement would be unconscionable."\footnote{205}{Id.}

This contractual view of property settlement agreements, however, was abandoned in Smith v. Smith, wherein the court held that alimony and child support agreements should not be given greater deference than judicial decrees.\footnote{206}{72 N.J. 350, 360, 371 A.2d 1, 6 (1977). When presented with a request for modification of an agreement, the court should determine what is equitable under the circumstances. Nonetheless, due weight should be accorded to the "strong public policy favoring stability of arrangements." Id.}

Employing principles of contract law, the court required changed circumstances sufficient "to convince the court that to enforce the agreement would be unconscionable."\footnote{207}{Id. at 561, 283 A.2d at 139.}

The court has an affirmative obligation to determine whether a settlement agreement is fair and equitable. Monroe v. Monroe, 177 Conn. at 183, 413 A.2d at 825.\footnote{208}{Id.}

This contractual view of property settlement agreements, however, was abandoned in Smith v. Smith, wherein the court held that alimony and child support agreements should not be given greater deference than judicial decrees.\footnote{209}{Id.}

By deciding that contract principles were inapposite because marital agreements were not contracts in the traditional
sense, *Lepis v. Lepis* affirmed the view expressed in *Smith.*\(^{208}\) Thus, the court should use general equitable principles\(^{209}\) and consider such agreements as hybrid documents evidencing a willingness on the part of the parties to resolve their differences.\(^{210}\) Accordingly, the New Jersey Supreme Court recently held that although an escalator clause including a decree-incorporated agreement is not invalid *per se,*\(^{211}\) it will be modified or set aside if the challenging spouse can prove that the terms of the agreement are unfair and unjust under the circumstances.\(^{212}\) The court noted, however, that escalator clauses are geared to one of the *Lepis* factors-change in net income of the obligated spouse—which would ordinarily justify modification of child support and alimony.\(^{213}\)

**CONCLUSION**

With New York, New Jersey, and Connecticut now unified in their approaches toward equitable distribution, the metropolitan area practitioner may expect a greater degree of uniformity in the distribution of marital assets upon divorce. While there will be differences among the jurisdictions in their applications of equitable distribution principles, this theoretical unity hopefully will allow the development of an approach suited to the unique character of the tristate area.

Indeed, such a development would be most welcome. Since the three states have long shared a common history, geography, and socio-economic composition, it appears logical to extend these regional similarities to the equitable distribution of property. How to formulate such a regional outlook while acknowledging each state's individuality will be one of the major challenges confronting the tristate judiciary in the years ahead.

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\(^{209}\) *Id.* at 148-49, 416 A.2d at 50.

\(^{210}\) *Id.* at 153-54, 416 A.2d at 52-53. The *Lepis* opinion was authored by Justice Pashman, the chairman of the New Jersey Supreme Court Committee on Matrimonial Litigation. *See* note 181 *supra.* The decision acknowledges that spousal agreements may ensure the stability of support arrangements. 83 N.J. at 153-54, 416 A.2d at 52-53.


\(^{212}\) *Id.* at 644, 428 A.2d at 1304. The *Petersen* court stated that "to the extent that the parties have developed comprehensive and particularized agreements responsive to their peculiar circumstances, such arrangements will be entitled to judicial deference and greatly assist the judiciary in the discharge of its supervisory role in such matters." *Id.* at 646, 428 A.2d at 1305.

\(^{213}\) *Id.* at 643, 428 A.2d at 1303.