MOCK LAW LITIGATION

FREE GUIDE

Crypto in a California Divorce

How Digital Assets Are Found, Traced, Valued, and Divided — and the Costs of Hiding Them

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READ ME FIRST!

A Note Before You Begin

Most of what people believe about crypto in a divorce is wrong in one of two directions. Some assume it is invisible — that coins on a thumb drive can simply be left off the paperwork. Others assume it is hopeless — that if a spouse is hiding crypto, there is nothing to be done. Neither is true. California treats crypto like any other property, the disclosure rules apply to it in full, and the trail it leaves is often better than the trail cash leaves.

What makes crypto challenging is the vocabulary, the speed, and the price swings. A spouse can move a seven-figure holding in minutes, the records may sit with a company in another state or with no company at all, and the value can double or halve between separation and trial. This guide is about handling those three problems.

New terms are explained in plain English the first time they appear, in **bold**. A full glossary is at the back if you need to look one up again.

What this guide covers

- Why crypto is treated as ordinary community or separate property — and why it still behaves differently
- Exchanges, wallets, keys, and seed phrases: where crypto actually lives
- Deciding what is community and what is separate
- The duty to disclose, and the penalties for hiding an asset
- Warning signs, discovery tools, and subpoenas to exchanges
- How forensic experts trace crypto on the blockchain
- Valuation dates, dividing the coins, and the tax trap in an "equal" split

- Crypto income and support, special situations, and protecting yourself during the case

Three things to know about this guide.

First: where it states a legal rule, it names the California statute or federal agency the rule comes from, so you can read it yourself. Where something is our interpretation, an open question, or a practical judgment rather than a fixed rule, the text says so.

Second: the dollar figures in the charts and examples are hypothetical. They illustrate how the rules work; they are not market data or predictions.

Third: this is general educational information about California law, not legal advice, and reading it does not create an attorney-client relationship. Crypto tax questions belong with a CPA. Please consult a qualified California family law attorney before you act.

Warm regards,
Mock Law, APC

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PART 1

Why Crypto Is Different in a Divorce

California is a **community property** state — property either spouse acquires during the marriage, before the date of separation, generally belongs to both spouses equally, no matter whose name is on the account (Fam. Code § 760). At divorce, the community estate is divided equally (Fam. Code § 2550).

Cryptocurrency — digital money or tokens that exist only as entries on a **blockchain**, a shared public record of every transaction kept by thousands of computers instead of one bank — gets no special treatment. There is no "crypto statute" in the Family Code. Bitcoin bought with paychecks during the marriage is community property the same way a brokerage account is. The IRS likewise treats digital assets as property, not currency, for tax purposes (IRS Notice 2014-21).

So the rules are familiar. The problems are not.

The problem	Why it matters in a divorce
It is easy to hide	Crypto held on a small device, or controlled by a list of 12 or 24 words written on a piece of paper, never shows up on a bank statement. Anyone with those words can reach the coins from any computer. There may be no company to subpoena.
It is hard to understand	Lawyers, judges, and spouses all have to learn a new vocabulary before they can ask the right questions.
It moves fast	A holding can be transferred out of reach in minutes, and its value can swing by half in a few months.
It creates hidden tax cost	Two holdings with the same market value can carry very different tax bills when sold.

Each of these has a workable answer. The rest of this guide takes them one at a time.

PART 2

Where Crypto Lives: Exchanges, Wallets, and Keys

You do not need to be technical to protect yourself, but you do need to know where crypto can be held, because that decides how you find it.

Exchanges

Most people start with a **centralized exchange** — a company such as Coinbase, Kraken, or Gemini where customers buy, sell, and store crypto, much like a brokerage. Payment apps such as Cash App, PayPal, and Venmo also sell crypto. An exchange knows who its customer is, because it must collect identity documents under **KYC** ("know your customer") rules. It keeps transaction records. That makes it the single best source of evidence in most cases.

Wallets, keys, and seed phrases

A **wallet** is not a container for coins. The coins stay on the blockchain. A wallet is software or a device that holds the secret codes that control them. Three terms matter:

- **Public address.** The wallet's account number — a long string of letters and numbers anyone can see and send funds to. It does not show a name.
- **Private key.** The secret password that authorizes spending from an address. Whoever holds it controls the money. If it is lost, the funds are generally gone for good.
- **Seed phrase** (or recovery phrase). Twelve or twenty-four ordinary words that can rebuild a wallet and all its keys on any device. A seed phrase written on a card in a desk drawer can be the entire asset. It is the most sensitive item in a crypto divorce.

Custodial and self-custody

With a **custodial** account, a company (usually an exchange) holds the keys for the customer — so it has records and can be subpoenaed. With **self-custody**, the owner holds the keys personally, often in a **hot wallet** (an app or browser extension connected to the internet, such as MetaMask) or in **cold storage** (keys kept offline, typically on a small USB-style **hardware wallet** such as a Ledger or Trezor, or on paper). Cold storage is a legitimate security practice. It is also the easiest way to hold crypto that leaves no paper trail at a bank.

	Exchange account (custodial)	Self-custody wallet (hot or cold)
Who holds the keys	The company	The owner
Name attached?	Yes — identity verified at signup	No — only an address
Records available	Statements, transaction exports, tax forms, login history	Only the public blockchain, plus whatever the owner kept
How you get the records	Discovery from your spouse and a subpoena to the company	Discovery from your spouse, device inspection, and forensic tracing
Ease of hiding	Harder	Easier

Why the wallet type matters.

If the crypto sits on an exchange, there is a company to subpoena. If it sits in a self-custody wallet, there is not — the evidence has to come from your spouse, their devices, the bank records showing where the money came from, and the blockchain itself. Almost every case involves both.

PART 3

Community or Separate?

Before anything is divided, each holding has to be **characterized** — classified as community, separate, or a mix. The ordinary rules apply.

- **Bought during the marriage with earnings.** Community property (Fam. Code § 760), even if only one spouse knew about it.
- **Owned before marriage, or received as a gift or inheritance. Separate property**, along with the rents, issues, and profits it produces (Fam. Code § 770). Price growth on separately owned coins generally stays separate.
- **Bought after the date of separation with post-separation earnings.** Separate property of the spouse who earned the money (Fam. Code § 771).
- **Bought during the marriage, but rose in value after separation.** Still community. The community owns the asset, so it shares in the gain — or the loss — until the asset is divided.

The date of separation

The **date of separation** is the date a complete and final break in the marriage occurred, shown both by a spouse's expressed intent to end the marriage and by conduct consistent with that intent (Fam. Code § 70). With an asset that moves as fast as crypto, a disputed separation date can be worth a great deal of money, and it is worth pinning down early.

Commingling and tracing

Things can get tricky when separate and community money end up in the same wallet or exchange account. For example, coins bought before the marriage get traded, sold, and bought back during the marriage. Then paychecks earned during the marriage are deposited into the same account to buy more coins. At that point, the spouse who claims part of the account as separate property generally has to prove it by **tracing** — following the separate money, transaction by transaction, into what exists today. Tracing is usually done by a forensic accountant. If the trail cannot be reconstructed, the presumption that property acquired during marriage is community (Fam. Code § 760) usually wins.

If you owned crypto before you married, keep the proof.

Account statements or exports showing what you held on your wedding date, and every transfer since, are the difference between keeping your separate property and splitting it. Exchanges close, apps change, and old devices fail. Download the records now.

Staking — locking up coins to help run a blockchain in exchange for rewards — and similar **DeFi** ("decentralized finance") arrangements raise the same questions. Rewards earned during marriage on community coins are community. Rewards on separate coins are generally separate as profits of separate property, though active management by a spouse during marriage can complicate that.

PART 4

The Duty to Disclose — and What Hiding Costs

Each spouse must give the other a full and accurate written disclosure of every asset and debt in which they have or may have an interest — community or separate — under penalty of perjury. The **preliminary declaration of disclosure** is due early in the case, generally within 60 days of filing the petition or response; a final declaration follows before settlement or trial unless both sides waive it (Fam. Code §§ 2100, 2104, 2105). The duty to update continues until the case ends.

The Judicial Council's Schedule of Assets and Debts (form FL-142) does not have a line labeled "crypto," but each party still has to disclose it. Digital assets should be listed specifically: the platform or wallet, the type of wallet, the coins or tokens held, and the approximate value.

Aside from crypto, you also need to disclose other assets even if you don't get a monthly statement for them.

While you are listing crypto, list the other things that never arrive as a paper statement: online brokerage and **robo-advisor** accounts (apps that invest money automatically, such as Betterment or Wealthfront), balances sitting in payment apps, websites, domain names, and online stores, digital products, code, and creative files stored in the cloud, and airline miles, credit card points, and other loyalty balances.

Some of these may have little value, and how California divides a few of them — loyalty points in particular — is not spelled out in any statute we are aware of. List them anyway. The disclosure duty covers every asset in which a spouse has or may have an interest, and deciding what an item is worth comes after it is on the list.

Fiduciary duties after separation

Spouses owe each other the duties of the highest good faith and fair dealing during marriage (Fam. Code § 721). Those standards continue after separation for every community asset until it is actually distributed, and they include accurate and complete disclosure (Fam. Code § 2102). Moving community crypto out of sight after separation is not a gray area.

The penalties

Hiding an asset can cost far more than the asset is worth. If a spouse conceals a community asset, the court can award the other spouse half of it plus attorney's fees (Fam. Code § 1101(g)). If the hiding involved fraud, oppression, or malice, the court can award the other spouse all of it (Fam. Code § 1101(h)). In one well-known California case, a spouse who hid a lottery jackpot during the divorce lost the entire prize to the other spouse. Failing to follow the disclosure rules can also bring money sanctions (Fam. Code § 2107), and a judgment can be reopened if perjury in a disclosure comes to light later (Fam. Code § 2122).

The "highest value" rule is made for crypto.

Under § 1101(g), a spouse who hides a community coin while its price climbs, then claims it crashed, may be charged with its peak value on one of the statutory dates.

PART 5

Red Flags That Crypto Exists

Hidden crypto is usually found the way hidden cash is found: by noticing that money went somewhere and asking where. Look for:

- **Bank and card entries to crypto platforms.** Coinbase, Kraken, or crypto purchases through Cash App, PayPal, or Venmo that are not explained.
- **Unexplained transfers or cash.** Large withdrawals, wires, or transfers to an account you do not recognize, or receipts from a **crypto ATM** (a kiosk that turns cash into crypto).
- **Tax paperwork.** Form **1099-DA** (the IRS form that crypto exchanges and other companies holding crypto for customers now use to report sales), Form 1099-B or 1099-MISC from a crypto platform, or a "Yes" answer to the digital asset question on the front of Form 1040.
- **Emails, apps, and talk.** Exchange emails ("verify your identity"), crypto apps and browser extensions such as MetaMask, or talk of mining, staking, or trading in texts or social media.
- **A hardware wallet, or a charge for one.** A small device that stores crypto keys offline. Most look like a USB thumb drive or a small gadget with a tiny screen and a button or two. Look for a purchase on a card statement, the device itself, or a card or metal plate with 12 or 24 words on it.
- **Small recurring charges.** Subscriptions to crypto tax software or cloud storage can point to accounts no one has mentioned.

No 1099-DA doesn't mean no crypto.

The IRS form only started with 2025 sales. Wallets a person controls directly, foreign exchanges, and holders who never sell generally don't produce one.

PART 6

Finding It: Discovery and Subpoenas

Discovery is the formal process of getting information, under oath and under court supervision, from the other spouse and from third parties. With crypto, the strategy is to follow the money: from the dollars that first became crypto, to the platforms that held it, to the wallets where it may sit now.

The points where ordinary money — **fiat**, meaning government-issued currency such as dollars — turns into crypto are called **on-ramps**, and the points where crypto turns back into dollars are **off-ramps**. Both usually touch a bank or an exchange, which means both usually leave records.

Step 1 — Start with what you already have

Review bank, card, payment-app, and tax records for the marriage and the period after separation. Transfers to exchanges are your map: they tell you which companies to target. Shared email accounts, cloud storage, and password managers you lawfully have access to may also show account names. Do not log into accounts you have not been allowed to use (see Part 12).

A simple step that often comes before formal discovery: each spouse writes out, separately, every exchange, app, wallet, device, and online account they know of, and the two lists are then compared side by side. Assets that never generate a statement are the ones people forget, and gaps between the two lists show where to look next. If your spouse will not cooperate, the same questions go into the interrogatories in Step 2.

Step 2 — Discovery from your spouse

- **Interrogatories** — written questions answered under oath. Ask about every exchange, app, wallet, and device ever used; the wallet addresses; who has access; and what happened to any crypto sold, transferred, lent, or given away.
- **Requests for production** — demands for documents. Ask for statements and native transaction exports (spreadsheet files, not PDFs), tax forms and crypto tax software reports, wallet addresses, and identity-verification records.
- **Deposition** — live questioning under oath before a court reporter. Ask where the keys and seed phrases are, who has seen them, how each wallet was set up, and where any missing crypto went.
- **Inspection of devices and authorizations.** Your attorney can seek inspection of phones, computers, and hardware wallets under a protective order, and can ask your spouse to sign authorizations directing platforms to release records.

Step 3 — Subpoenas to the platforms

If your spouse won't turn over records, your attorney can subpoena the exchange directly. A **subpoena** is a court-backed demand for records from someone who isn't a party to the case. An exchange can often produce account-opening records, linked bank accounts and email addresses, a full transaction history, and records of where crypto was sent. Many large exchanges are based outside California, which can add steps and time. Your attorney handles those procedures. Banks, card companies, crypto ATM operators, and your spouse's tax preparer can also be subpoenaed.

Step 4 — Bring in an expert early

A **forensic accountant** or blockchain analyst can reconstruct activity, connect wallets to a person, and testify about value. When the holdings are large or the trail has gone off an exchange, the cost of an expert is usually small compared to what is at stake. Part 7 explains what that expert does.

Each side does not always need its own expert. Spouses can agree to share one neutral expert and split the fee, which usually costs less and avoids a battle of competing reports. The court also has authority to appoint its own expert (Evid. Code § 730). In our view, a shared expert fits best when the questions are technical — what exists and what it is worth. When one spouse believes the other is actively hiding crypto, that spouse may still want a consultant of their own.

PART 7

How Forensic Experts Trace Crypto

Every transfer on a public blockchain is recorded permanently. Addresses carry no names, but money can be followed from one address to the next, and the hard part — the part that requires an expert — is connecting addresses to a person. In plain terms, the work goes like this.

1. **Find where the money went in.** The expert starts with bank and card records showing dollars turning into crypto.
2. **Get the exchange's records.** These show which crypto addresses belong to your spouse's account. That's the starting point.
3. **Follow the trail.** Every crypto transfer is recorded publicly and permanently. The expert follows the coins from address to address and uses software to spot addresses likely controlled by the same person. Some tools, such as a **mixer**, are designed to blur the trail, and a spouse's use of one during a divorce is something a judge will notice.
4. **Connect the trail to your spouse.** The public record shows where coins moved, but not who owns an address. The expert ties addresses to your spouse using exchange records, devices, tax returns, and testimony.

Forensic work is expensive.

Experts usually bill by the hour, and a complicated trace can cost a great deal. It makes the most sense when the amount at stake justifies the cost, or when spouses share one neutral expert (see Part 6).

Will a court accept it?

Blockchain tracing has been tested in court. In *United States v. Sterlingov* (D.D.C. 2024), a federal criminal prosecution, the trial court admitted expert testimony based on a commercial tracing tool, Chainalysis Reactor, after the defense challenged its reliability. That ruling does not bind a California family court, which applies California's own standards for expert evidence, but it shows the methods can withstand serious scrutiny. An expert should still be able to explain how each cluster was built and where the method's limits are.

Realistic expectations.

Tracing proves where money went. It does not, by itself, prove who controls a wallet or whether a cold-storage device still holds funds today. The strongest cases combine blockchain analysis with ordinary documents and testimony.

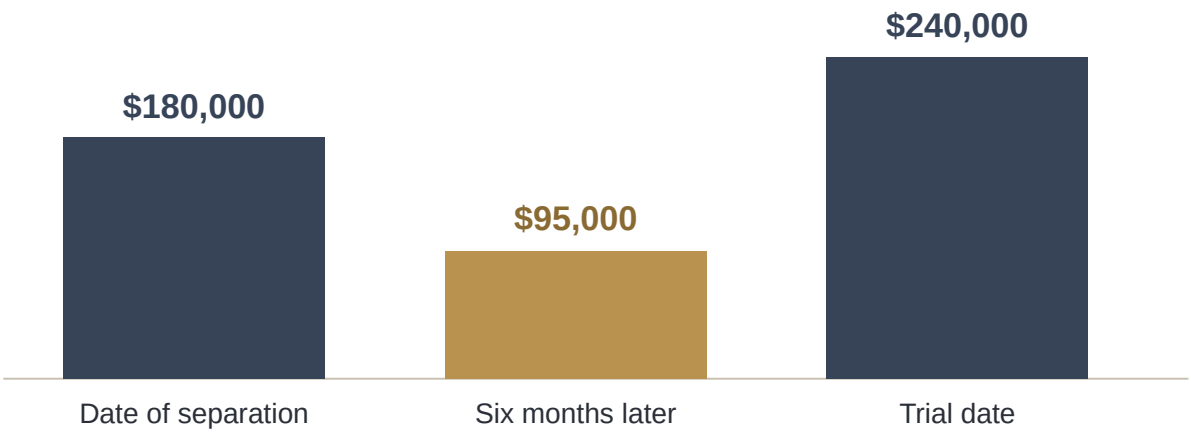
PART 8

Valuing Crypto

Which date?

The default rule is that the court values community assets "as near as practicable to the time of trial" (Fam. Code § 2552(a)). On 30 days' notice and a showing of good cause, the court may instead value all or part of the estate on an **alternate valuation date** — any date after separation and before trial — to accomplish an equal division in an equitable way (Fam. Code § 2552(b)).

With most assets, the choice of date moves the numbers modestly. With crypto, it can move them dramatically:



Value of the same community crypto holding on three dates

Hypothetical figures for illustration only. Each spouse's half would range from $47,500 to $120,000 depending on the date chosen.

Courts have used alternate dates in other contexts — for example, where a business's post-separation value came mostly from one spouse's own efforts, or where poor recordkeeping made a later valuation impossible. Whether good cause exists for crypto depends on the facts: who controlled the asset after separation, whether either spouse delayed the case to time the market, and whether one spouse's active trading, rather than the market, drove the change.

When you settle, you choose

Section 2552 tells a judge how to pick a date. Most cases settle, and spouses who settle — through negotiation, mediation, or a collaborative process — can agree on the valuation date and method themselves. The Family Code allows the spouses to divide the community estate by written agreement or by a stipulation stated in open court (Fam. Code § 2550). Common options:

Option	How it works	Trade-off
Date of separation	Value fixed on the day the marriage ended.	Whoever keeps the crypto takes all later gain or loss.
A fixed date near signing	Value fixed on an agreed date close to the settlement.	Still one day's price, which can be an outlier.
An average over a period	Value is the average price over an agreed stretch, such as 30 days.	Smooths out spikes, but the period, price source, and daily price point must all be spelled out.
Divide in kind	Each spouse takes half of each coin (see Part 9).	No price needed for the coins themselves, but a value may still be needed to balance other assets.

Which option is fairest depends on who will hold the crypto, the market at the time, and the rest of the settlement. This table describes common approaches; it is not a recommendation for any case.

Agree on the details. Even after choosing a date, spouses need to agree on which exchange's price to use and at what time of day, whether rewards and bonus tokens count, and how to value anything that can't be sold quickly or has no clear market price. Leaving these points open is a common source of later disputes.

PART 9

Dividing It Without a Tax Surprise

Once the holdings are found and valued, there are three basic ways to divide them.

Method	How it works	Watch for
Divide in kind	Each spouse receives half of each coin, transferred to a wallet or account they control.	Correct addresses, a small test transfer first, and an even split of tax basis.
Buyout	One spouse keeps the crypto and pays the other half its agreed value, or takes less of another asset.	Market risk between the agreed date and the payment date; built-in tax.
Sell and split	The crypto is sold and the cash divided.	Who pays the capital gains tax, and when.

If the market risk during the case is unreasonable, the court can order community assets sold before judgment on a party's application and good cause (Fam. Code § 2108).

Plan the handoff of keys

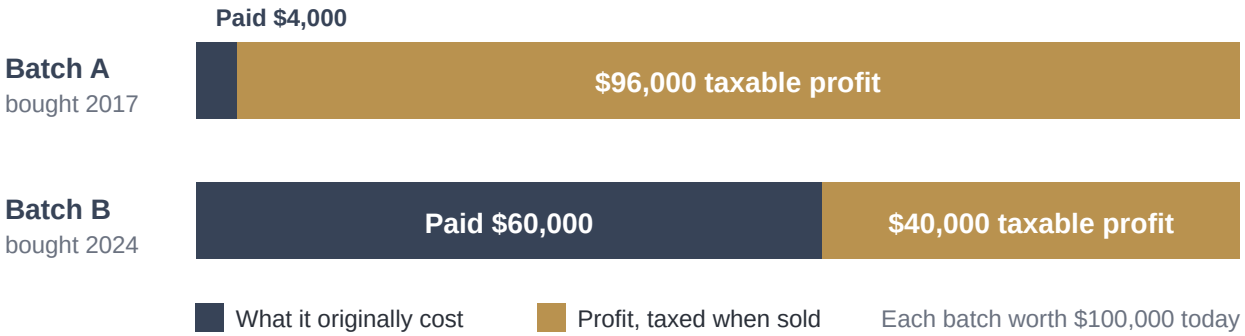
However the crypto is divided, the agreement should say who receives which wallets and accounts, how and by when each transfer happens, and how receipt is confirmed. If one spouse keeps a wallet whose seed phrase the other spouse has seen, that spouse should move the funds to a new wallet after the divorce. A lost seed phrase can mean the coins are gone for good, and no court order can recover crypto that nobody can access.

The tax trap in an "equal" split

Handing crypto to your spouse in a divorce is not a sale, so no one owes tax on the handoff (26 U.S.C. § 1041; IRS Publication 504). The tax comes later, when whoever ends up with the coins sells them. That tax is based on what the coins originally cost — tax forms call this the **cost basis** — not on what they were worth when you divorced.

For example, say you and your spouse own two batches of bitcoin, each worth $100,000 today:

- **Batch A** was bought in 2017 for $4,000. Sold today, the profit is $96,000, and that profit is taxed.
- **Batch B** was bought in 2024 for $60,000. Sold today, the profit is $40,000.



Hypothetical figures for illustration only.

If one of you takes Batch A and the other takes Batch B, the split looks equal: $100,000 each. But the spouse with Batch A will pay tax on $96,000 of profit and the spouse with Batch B on $40,000. The fix: split each batch in half, or adjust the rest of the division to make up the difference. Ask a CPA how to account for future tax; courts are generally more willing to consider tax that is immediate and certain than tax that is speculative. And whoever receives crypto should also get the purchase records showing what it cost. Older crypto often has no cost record at the exchange, so put that in the agreement.

PART 10

Crypto and Support

Crypto is not only property to divide. It can also be income that affects child and spousal support.

For child support, a parent's annual gross income means "income from whatever source derived," with limited exceptions (Fam. Code § 4058). Crypto received as wages or payment for services, mining income, and staking rewards are all candidates. The IRS treats mining income and payments in crypto as income at fair market value when received (Notice 2014-21), and treats staking rewards as income in the year the taxpayer gains control of them (Rev. Rul. 2023-14). Family courts are not bound by tax rules, but they often look to them.

For spousal support, the court weighs a list of factors that includes each party's assets, including separate property (Fam. Code § 4320). A spouse sitting on a large crypto holding is in a different position from one who is not, even if neither is drawing income from it.

Practical problems

- **Volatility.** Income received in crypto can be worth far more or less by the time support is calculated. Expect argument over whether to value it when received or to average over a longer period.
- **Trading gains.** Whether a spouse's trading profits are recurring income or one-time gains is a common dispute, and the answer depends on the history.
- **Disclosure.** Crypto income belongs on the Income and Expense Declaration (form FL-150), signed under penalty of perjury, just like a paycheck.

PART 11

Special Situations

"I lost the keys" or "I got hacked"

Claims that crypto was lost, stolen, or scammed away come up often in divorce, and sometimes they are true. They are tested the same way any claimed loss is tested: by documents, timing, and the blockchain. A wallet that was "lost" but whose coins later moved is not lost. If the court finds a spouse deliberately misappropriated community property, it can award the other spouse an offset from the misappropriating spouse's share (Fam. Code § 2602), in addition to the § 1101 remedies in Part 4.

A collapsed platform or a bankruptcy claim

When an exchange or lender fails, customers often end up holding a claim in a bankruptcy case rather than coins. That claim is an asset. It should be disclosed and divided, and the agreement should say who receives future distributions.

Crypto funds and retirement accounts

A **spot crypto ETF** is an exchange-traded fund, bought through an ordinary brokerage account, that holds crypto directly. It is a security in a brokerage account and is found and divided like one. Crypto held inside a 401(k) or IRA follows the rules for that retirement account, not the rules in this guide.

Crypto in a business

Crypto held by an LLC or corporation, mining equipment, or tokens received as compensation from a startup raise business-valuation and characterization questions. Tokens that vest over time can resemble stock options and may need to be apportioned between the community and separate periods.

Prenuptial and postnuptial agreements

An agreement can say in advance how crypto will be treated — whether appreciation on separately owned coins stays separate, how commingled wallets will be handled, and what records each spouse must keep. Vague language written before crypto existed may not answer these questions.

Estate planning

If something happens to the only person who knows where the keys are, the crypto may be lost to everyone. After the divorce, update your will or trust, your beneficiary designations, and any written instructions on how a trusted person can access your crypto — and change any wallet whose seed phrase your former spouse ever saw.

PART 12

Protecting Yourself During the Case

When a dissolution petition is filed, the summons carries **standard family law restraining orders** — sometimes called automatic temporary restraining orders, or ATROs. They bind the petitioner on filing and the respondent on service, and among other things they bar both spouses from transferring, concealing, or disposing of any property, community or separate, without written consent or a court order, except in the usual course of business or for the necessities of life (Fam. Code § 2040; form FL-110). Talk to your attorney before moving any crypto during the case.

If there is evidence your spouse may move assets, your attorney can ask for a specific order restraining the transfer of particular property (Fam. Code § 2045).

What to do — and not do

- **Know which accounts you may use.** If you have always managed an account with your spouse's knowledge, you can generally keep viewing it and pulling statements. But don't move the funds without your spouse's written agreement or a court order (Fam. Code § 2040). If it's an account you never used, or your spouse has changed the password, don't log in. Doing so can be a crime (Pen. Code § 502) and can support a restraining order against you (Fam. Code § 6320). Ask your attorney to get the records through discovery instead.
- **Do preserve what you lawfully have.** Keep statements, tax returns, and emails sent to you. Give your attorney copies, not originals.

- **Do put access in writing — without the secrets.** A written list of each wallet and account, who holds the private keys, where any seed phrase backup and hardware wallet are kept, and who controls the two-factor authentication device makes it much harder for an asset to go missing. The list should describe where a seed phrase is, never what it says.
- **Do ask about a hold on the account.** Some platforms may restrict an account in response to legal process. Policies vary, and we have not reviewed any platform's. Your attorney can find out whether a platform will act voluntarily or whether a specific court order under § 2045 is needed.
- **Do secure your own accounts.** Change passwords and two-factor authentication on accounts that are yours alone, and move your own seed phrases somewhere your spouse cannot reach.
- **Do not lock your spouse out of shared accounts on your own.** Changing the password on a joint account during the case could be treated as interfering with property covered by the restraining orders. That is our reading, not an express rule. Cut off shared access once disclosure and division are agreed or ordered.
- **Do not email or text a seed phrase** to anyone, including your attorney. If one must be disclosed, it should happen through a process the parties or the court control.
- **Do expect your own records to be requested.** Disclosure runs both ways. Download the full transaction history from each exchange and crypto app you use (most let you save it as a spreadsheet), and gather your tax documents now.

PART 13

A Practical Checklist

1. List every exchange, app, wallet, device, and digital account you know of, and compare it with your spouse's list.
2. Gather bank, card, payment-app, and tax records showing transfers to or from crypto platforms.
3. Download the transaction history from each of your exchanges and crypto apps, and any records proving separate property, including holdings on your wedding date.
4. Pin down the date of separation and the evidence that supports it.
5. Preserve devices, emails, and cloud accounts you lawfully control. Do not log into accounts you have not been allowed to use.
6. Ask about a preservation letter, an account hold, or a specific restraining order, and record who holds which keys.
7. List digital assets specifically on your disclosure, and update it as things change.
8. Serve crypto-specific discovery and ask your attorney to subpoena each platform you identify.
9. Consider a forensic accountant or blockchain analyst — possibly one shared neutral expert.
10. Agree in writing on the valuation date or averaging period, the price source, the division method, and the split of cost basis.
11. Have a CPA review the tax effect before you sign.
12. After judgment, complete the transfers on schedule, confirm receipt, and update your estate plan and wallet security.

PART 14

Frequently Asked Questions

? My spouse says the crypto is worthless now. Does that end it?

No. If it was community property, the question is what happened to it and when. If it was sold, the proceeds went somewhere. If it lost value in the market, both spouses generally share that loss. If it was hidden or transferred in breach of fiduciary duty, the court can value it at its highest value on the dates § 1101(g) allows.

? Can the court make my spouse disclose a seed phrase?

The court can order disclosure of assets and can issue orders to preserve and divide them. Whether a seed phrase itself must be revealed, to whom, and under what safeguards is something the court decides case by case. In practice, many cases are resolved by ordering transfers to wallets the receiving spouse controls rather than by revealing the phrase.

? I bought Bitcoin before we married. Is it still mine?

Generally yes, along with its growth in value (Fam. Code § 770) — if you can trace it. If it was mixed with money earned during marriage, traded repeatedly, or moved between platforms, you will need records showing the separate portion. Without them, it may be treated as community.

? Do I really need an expert?

Not always. If all the crypto sits on one exchange that produces complete records, your attorney may be able to handle it with ordinary discovery. If funds moved to self-custody wallets, through mixers, or across blockchains, an expert is usually worth the cost.

? We are settling. Do we have to use the court's valuation date?

No. The rules in § 2552 govern when a judge decides. Spouses who settle can agree on a date of separation value, a fixed date, an average over a period, or a division in kind (Fam. Code § 2550). Whatever you choose, write down the date or period and the price source.

? Can we just split the coins in half?

Often that is the cleanest solution, because both spouses share future gains and losses equally and no one has to agree on a price. Make sure each batch is split so the tax basis is shared evenly, and confirm every receiving address with a small test transfer first.

? My spouse bought crypto after we separated. Is that community?

If it was bought with money earned after the date of separation, it is generally your spouse's separate property (Fam. Code § 771). If it was bought with community savings that existed at separation, the community may have an interest. The source of the money decides it.

? How long will this take?

California requires at least six months from service of the petition or the respondent's appearance, whichever is first, before a divorce can become final (Fam. Code § 2339). Cases with complex or contested crypto often take considerably longer, because subpoenas to out-of-state platforms and forensic tracing take time. That is our practical experience, not a rule.

PART 15

Glossary and Where to Read the Law

Crypto terms

Blockchain. A shared, public record of every transaction for a given cryptocurrency, maintained by many computers rather than one bank. Entries cannot be quietly erased or edited.

Centralized exchange. A company where customers buy, sell, and store crypto, similar to a brokerage. It verifies identity and keeps records.

Cold storage / hardware wallet. Keeping keys offline, usually on a small USB-style device or on paper.

Crypto ATM (kiosk). A machine that converts cash into crypto, or crypto into cash.

Cryptocurrency / digital asset. Digital money or tokens that exist only on a blockchain, such as Bitcoin, Ether, stablecoins, and NFTs.

Custodial account. An account where a company holds the keys for the customer.

DeFi (decentralized finance). Software programs that offer lending, trading, or interest-like returns on crypto without a bank or exchange in the middle.

Fiat. Government-issued money, such as U.S. dollars.

Hot wallet. A wallet connected to the internet — a phone app, browser extension, or exchange account.

KYC ("know your customer"). The identity checks an exchange performs when an account is opened.

Mixer (tumbler). A service that pools many users' coins and sends them back out to break the link between sender and receiver.

NFT (non-fungible token). A unique digital item, such as artwork or a collectible, recorded on a blockchain.

On-ramp / off-ramp. The points where dollars become crypto (on-ramp) or crypto becomes dollars (off-ramp).

Private key. The secret code that authorizes spending from an address. Whoever holds it controls the funds.

Public address. A wallet's account number, visible to anyone, with no name attached.

Seed phrase (recovery phrase). Twelve or twenty-four words that can rebuild a wallet and all its keys.

Robo-advisor. An app or online service that invests money automatically, such as Betterment or Wealthfront.

Self-custody. Holding your own keys, so that no company keeps records of your holdings.

Spot crypto ETF. An exchange-traded fund, bought through a brokerage account, that holds crypto directly.

Stablecoin. Crypto designed to track the U.S. dollar, such as USDC or USDT. Its price is steady, but it moves like crypto.

Staking. Locking up coins to help operate a blockchain in exchange for rewards.

Wallet. Software or a device that holds the keys controlling crypto. The coins themselves stay on the blockchain.

Legal and tax terms

Alternate valuation date. A date after separation and before trial that the court may use to value assets for good cause (Fam. Code § 2552(b)).

Carryover basis. The rule that a spouse who receives property in a divorce takes over the other spouse's tax basis (26 U.S.C. § 1041).

Characterization. Classifying property as community, separate, or part of each.

Community property. Property acquired by either spouse during marriage, before separation, owned equally by both (Fam. Code § 760).

Cost basis. Roughly, what was paid for an asset; used to calculate taxable gain when it is sold.

Date of separation. The date of a complete and final break in the marriage (Fam. Code § 70).

Declaration of disclosure. The sworn listing of assets, debts, and income each spouse must serve (Fam. Code §§ 2104, 2105).

Deposition. Live questioning under oath, recorded by a court reporter.

Discovery. The formal process of obtaining information from the other side and from third parties.

Forensic accountant. An accountant who reconstructs financial activity and testifies about it.

Form 1099-DA. The IRS form U.S. brokers use to report digital asset sales, beginning with 2025.

Neutral expert. A single expert both spouses agree to use, or one the court appoints (Evid. Code § 730), instead of each side hiring its own.

Interrogatories / requests for production. Written questions answered under oath, and written demands for documents.

Separate property. Property owned before marriage, received by gift or inheritance, or acquired after separation, and its profits (Fam. Code §§ 770, 771).

Standard family law restraining orders. Orders printed on the summons that bar both spouses from transferring or concealing property during the case (Fam. Code § 2040).

Subpoena. A court-authorized demand for records or testimony from someone who is not a party.

Tracing. Following money through transactions to show the source of an asset that exists today.

Where to read the law yourself

- **California codes** (Family Code, Code of Civil Procedure, Evidence Code, Financial Code): leginfo.legislature.ca.gov
- **California Courts self-help and Judicial Council forms** (FL-110, FL-142, FL-150): selfhelp.courts.ca.gov and courts.ca.gov/forms
- **IRS digital asset guidance**, including Notice 2014-21, Rev. Rul. 2023-14, and Form 1099-DA instructions: irs.gov/digital-assets
- **IRS Publication 504**, Divorced or Separated Individuals: irs.gov
- **DFPI**, Digital Financial Assets Law and licensee information: dfpi.ca.gov

PART 16

Closing Thoughts

Crypto rewards the spouse who moves early. The records that prove separate property are easiest to get before an app shuts down. The subpoena that identifies a wallet takes weeks to come back. The automatic restraining orders that keep coins in place have to be in effect before the coins move, not after. And the tax problem in an "equal" division is easy to fix before signing and nearly impossible to fix afterward.

None of this requires you to become a technologist. It requires asking the right questions in order: where did the money go, who holds the keys, what was it worth and when, and what will it cost to sell.

If there is one sentence to take from this guide: **crypto is ordinary property with an unusually good memory — the blockchain does not forget.**

Crypto in Your Divorce?

We handle complex California dissolutions involving digital assets, tracing, valuation disputes, and hidden-asset claims.

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