

## **Your divorce may require the assistance of a financial expert**

Given the complexities of today's financial landscape, it may be in your best interest to consider securing specific expertise to help you sort out and evaluate the financial aspects of your divorce. One important thing to remember is that most family law attorneys, even when experienced in divorce, are not trained to address financially complicated divorce issues.

As a key participant in your divorce process, you will want to understand all financial aspects of your marital estate and have an informed voice in decisions made with regard to your settlement agreement. So, securing this expertise either from a Certified Divorce Financial Analyst or a Forensic CPA can be invaluable.

Based on my more than 25 years helping clients with their divorce finances, I recommend starting with a Certified Divorce Financial Analyst (CFDA) because they are specifically trained in divorce finances, and they are generally less expensive than a Forensic CPA. Forensic CPAs may be best suited to perform complex business evaluations and deep financial investigations or tracing. When evaluating the credentials of a Forensic CPA, make sure he or she also has experience with the divorce process and laws of divorce in your state. Here are a number of areas where CDFAs and CPAs can help you:

### **1. Reviewing and *excavating* personal tax returns**

Lots of financial information can be gleaned from income tax returns. Yet, to the untrained eye, important clues can easily be overlooked or missed in this treasure trove of information. Tax returns can shine light on:

- Real Estate Holdings -- residential, commercial and vacation properties
- Trust accounts, including the distribution details
- Overpayment of taxes (that can be withdrawn in the future or applied to future years)
- Tax refund due
- Securities accounts
- Bank accounts (online or otherwise)
- Partnerships or business interests
- Losses that can be claimed in future years

### **2. Business Valuation**

If a family-owned business is part of the marital estate, an experienced CPA who is a trained business valuator may be critical in determining the company's value for the purposes of a divorce. Often, a family business is the couple's most valuable asset.

However, such businesses may not be large enough to merit the expense of a CPA's fees, which can run from \$30,000 and up. In addition, if the owner's specific skills and training represent most of the value of the company, there is little to divide in terms of divorce assets. The value there is called "professional goodwill."

### **3. Financial Investigations**

I sometimes help clients distinguish between separate and community property if accounts have been co-mingled over the years. This involves tracing of deposits and withdrawals that are typically found in account records and financial statements. Sometimes when couples are seeking divorce, one of the spouses will claim his or her earnings have decreased, affecting marital cash flow. A Forensic CPA or a trained CDFAs can be called in to review key financial documents, expenditures or other records in order to verify or counter such a claim.

### **4. Retirement Plan Reviews**

Both individual and company sponsored retirement plans should be carefully reviewed in order to define an equitable division of these assets to the divorcing spouses. Many times, Forensic CPAs or CDFAs will discover retirement plans that were not previously disclosed. This is often the case for high level corporate executives today who may hold "excess" benefits plans. Over the past five years, the stock market has increased dramatically along with the complexity of associated retirement plans. Close scrutiny of this area and knowing what questions to ask and who to ask has the potential of turning up some surprises.

### **5. Tax and financial advice in the settlement process**

The vast majority of divorces today end in a negotiated settlement between the spouses. Consequently, courts are rarely involved. So, close scrutiny of tax and financial aspects of these cases by the experts is extremely important. Each spouse must understand how their settlement will affect future cash flow, income tax ramifications, retirement fund considerations and related asset transfers, and other financial factors. Securing the expertise and guidance of one of these financial pros will likely impact your finances for the rest of your life and is often well worth the investment.

As a trained and experienced CFDA, I focus on helping individual going through divorce to secure an equitable division of the marital assets. I've found my training and experience in finances and mediation as very helpful, but what is often most important to my clients is seeing how their settlement will work out for them 15-20 years from now. That is often a real eye-opener and often a game changer.