

Why Should You Hire a Forensic Accountant for Your [Client's] Divorce?



Welcome!

Thank you for your interest in Forensic Accounting. I chose this field of practice because it allows me to use my skills to help couples understand and make decisions about the financial aspects of their divorce and the life that is to follow.

Many people think that Forensic Accounting has something to do with death or dead bodies. It doesn't. Forensic accountants value a couple's assets and liabilities for equitable distribution, and determine income for alimony and child support purposes.

With over 40 years of experience and with my knowledge of business, the divorce process, and financial matters, I can assist a divorcing couple and their attorneys to understand the financial aspects of their proceedings and settlements. Please call me at **305-495-2179**, or email me at harriettfox@alum.mit.edu to schedule a consultation.

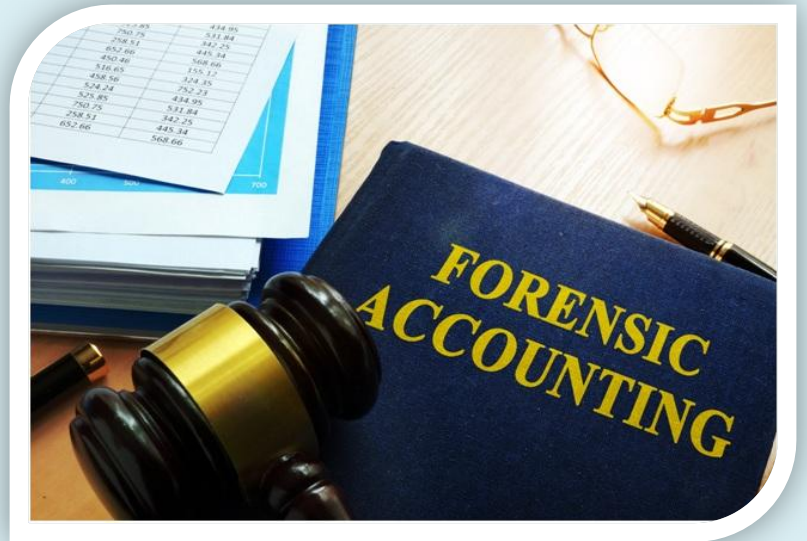
Thank you.

A handwritten signature in black ink, appearing to read "Harriett Fox". The signature is fluid and cursive, with the first name being more prominent than the last.

What is a Forensic Accountant?

Forensic accounting is a specialty practice area of accounting that involves working with clients and their attorneys on legal matters. As a Forensic Accountant, I collect evidence, primarily in the form of financial and accounting documents, in order to answer financial questions in legal matters. In the case of divorce, I prepare financial affidavits, calculate the parties' incomes, establish the value of marital assets and liabilities, value closely held businesses, and complete alimony and child support calculations.

In many cases, I assist the attorneys in preparing document requests, deposition questions and trial questions. In some cases, I testify in court as an expert witness, and render my opinions to assist the court in reaching better financial decisions.



How is a Forensic Accountant different from all other accountants?

A forensic accountant's work differs from traditional accountants' work in many ways. Traditional accountants prepare financial statements and tax returns in specified formats. All personal tax returns are filed on the same form – Form 1040. Forensic accountants are free to tailor their presentations to best explain the issues under consideration. As a Forensic Accountant, I testify in court as an expert witness. Traditional accountants are usually called as fact witnesses.

Traditional financial accountants and financial statement auditors can sample accounting transactions to make their conclusions. In contrast, forensic accountants typically look at all transactions. Within forensic accounting, we learn that “the devil is in the details.”

What does a Forensic Accountant do in divorces?



In family law, I focus on valuing the marital estate, determining which assets and liabilities may be non-marital, determining the parties' incomes, and calculating alimony and child support.

To accomplish this, I prepare a financial affidavit for each party, or I use the financial affidavits already prepared. The financial affidavit summarizes the parties' assets, liabilities, income and expenses. Information comes from volumes of documents from both parties. Typically, three to five years of documents are collected, including:

- Income tax returns
- Bank statements for checking, savings, individual and joint accounts
- Investment account statements including retirement accounts, individual and joint accounts
- Credit card account statements, individual and joint accounts
- Debit card transactions, if not included in bank account statements
- Mortgage statements
- Loan statements

For closely held business:

- Tax returns
- Balance sheets, income statements, general ledgers
- Articles of incorporation
- Shareholder/partnership agreements

From these documents, I prepare a set of schedules that show all the marital and non-marital assets and liabilities, and a proposed equitable distribution for discussion. I calculate alimony and child support based on the parties' incomes and anticipated tax status.

And sometimes, Forensic Accountants are called upon to find hidden assets.

In short, as a Forensic Accountant, I make sure that clients and their attorneys have the financial information they need to make informed decisions.

How to choose a Forensic Accountant

In the case of a litigated divorce, it is important that the Forensic Accountant have the necessary credentials to be accepted as an expert witness by the court. It is also helpful if the Forensic Accountant has sufficient experience in family law and understands court proceedings.

What does it mean for a Forensic Accountant to be independent?

Attorneys and accountants are highly respected professionals. They take an oath to practice to the best of their ability and to uncompromisingly represent the best interests of. And that is where the biggest professional difference between attorneys and accountants lies. Attorneys take an oath to zealously represent the best interests of their clients. Accountants take an oath to protect the public trust. Forensic Accountants cannot advocate for their client, but they can advocate for their opinion.

The attorneys' case theory may change depending on whether the husband or wife is represented. Or whether the "earner" or the "non-earner" is the client.

The accountants' case theory should not change, no matter who the client is, who the attorney is, or which side is paying the fees.

Often times the most volatile item in a divorce settlement is the valuation of a family business. As an independent Forensic Accountant, my opinion of valuation will not change depending on who owns the business (my client or the other side). And, as an independent Forensic Accountant, I will not agree to produce a predetermined value presented by either party.



What does it mean for a Forensic Accountant to be neutral?



I like to help people save time, money and energy as they navigate their way through a divorce. That's why I believe in using a neutral Forensic Accountant.

Let's face it. There are only so many ways to combine numbers. This is not to simplify or minimize the amount of training and knowledge that is required to do the forensic accounting in a divorce case. But, if each spouse engages a Forensic Accountant, chances are that the two accountants will agree on about 80% of the financial issues. Then the two accountants meet to see if they can hash

out the balance of the items. If not, then the remaining 20% will be negotiated, mediated or decided by a judge. Having a neutral forensic accountant at mediation saves fees by having only one, instead of two, accountants presents. Often times, as a neutral Forensic Accountant, I will assist the mediation process by following the mediator and working with both parties.

When I am a neutral Forensic Accountant working equally for both parties, then the accounting fees are reduced almost by half. Usually discovery is more transparent and faster because there is less tendency to withhold information.

When should you hire a forensic accountant?

Not only because I am one, but because the financial issues in divorce are becoming more complex, I believe that most divorces should have a Forensic Accountant involved. I have seen cases where "W-2 employees" have hidden assets and income at the IRS. Many times, albeit with the best of intentions, attorneys' calculations for future income (for alimony and child support), use the wrong tax bracket. Sometimes, the marital portion of pension and retirement funds are improperly calculated.

As for deciding at what point in the divorce you should hire your Forensic Accountant, unequivocally at the earliest possible time. Too often, I am called after the discovery

date has expired, and some relevant documents were not requested. When involved at the beginning of a case, my expertise can be used throughout the proceedings.

What about the cost?

The cost of divorce can be staggering. Decisions made will impact your life and your children's lives for a very long time. Even if the case seems simple – W-2 employees, a house, a few investment accounts, a few retirement accounts, a couple of cars and some jewelry – it is important that the assets and liabilities be properly valued, and the income properly calculated. These activities should cost a few thousand dollars (not tens of thousands). When there are extensive properties, pre- or non-marital items, or a closely held business, the costs could be higher. But it is always worth asking: should I pay a little more to make sure it's right? I think so, because it is the rest of your life.



If you are a family lawyer or a party in a divorce or an impending divorce, engaging the services of a forensic accountant---

Call **Harriett Fox** at **305-495-2179** today, or email her at harriettfox@alum.mit.edu



Harriett I Fox, CPA
Forensic Accounting • Collaborative Divorce

