



## CHAPTER 2

---

# WHY WOULD YOUR HUSBAND HIDE ASSETS?

**E**ven if you haven't been deeply involved in your marital finances, you certainly have some general awareness of your standard of living and level of affluence. So, when your divorce settlement discussions get underway, you may get upset (to put it mildly) to hear your husband claim that there are a lot fewer assets to split than you anticipated. It's not an uncommon situation. Over the years, I've had many clients who can't put a number to their precise net worth, and yet they know that they are well off. They live in well-appointed homes in desirable places, drive luxury vehicles, and generally shop, dine, and travel expensively. Then comes the divorce, and their husbands claim something like, "Sorry, there's actually nothing much to divide."

"Nothing much to divide?" How can that be? My experience tells me that if you're getting this line from your husband, it's entirely possible that he is hiding assets.

## WHY AND WHERE DIVORCING HUSBANDS HIDE ASSETS AND HOW TO FIND THEM

What do I mean by that, exactly? He can't "hide" a boat, car, house, or bank account ... can he?

The unfortunate answer is yes, he can. As surprising as it may be, hiding assets can be quite easy to do, especially if your husband is someone who owns a small business or professional practice and/or if he is the one who handles the family finances. Perhaps you've been unaware, uninvolved, uninformed, and even uninterested in the details surrounding your family's income and expenses, and that has provided him the opportunity to maneuver things in his favor. It's illegal and underhanded—but all too common.

Why would a husband do something so wrong? It's simple. Husbands hide income and assets to keep from having to give up any part of them in a divorce settlement. What you and your professional divorce team don't know about, you can't lay claim to. Every asset he can conceal is one he won't have to divide with you.

There are countless possible motives for that mode of thinking. He might be afraid that after the divorce he won't have enough money to fund the way he wants to live. It could be that a girlfriend is urging him to keep as much money away from you as he possibly can so he can spend it on her instead. On the other hand, he may feel he's getting revenge for an infidelity. Maybe he's simply greedy and feels that he deserves to keep it all, or maybe he's controlling, abusive, and determined to see you in financial ruin.

## WHY WOULD YOUR HUSBAND HIDE ASSETS?

Some men, particularly if they're the sole earners in the family, conveniently forget about the whole concept of marital property and believe that if they earned it or bought it, they're entitled to keep it all.

Whatever his reasoning, a husband who hides assets usually has very specific, predictable objectives. Here are some of the most common things he might do:

### **1. Hide, understate, or undervalue certain assets**

Let me walk you through an example of how a tangible asset gets both undervalued and kept out of a divorce settlement: Let's say your husband has an expensive sailboat. You know he bought it; you remember the purchase. It's on your mental list of things you expect will come up at the negotiating table, but when that time comes, the boat doesn't appear on any of your husband's legal filings listing his income and assets. When questioned about it, he says that he sold that boat to his brother years ago—for a preposterously low price. You can't prove that he didn't. So the boat's off the table, even though it's still in the water ... and your hopes for a fair share of its value are, well, sunk. After the divorce is finalized, you can bet your husband will be "buying" his sailboat right back.

## WHY AND WHERE DIVORCING HUSBANDS HIDE ASSETS AND HOW TO FIND THEM

### **2. Overstate liabilities**

Your husband's financial statements may include liabilities you didn't know about ... because, in fact, they might not really exist. I've known cases in which people have fabricated loans from friends or family members and included these debts in their legal filings. Naturally, when the divorce is over with—poof!—so are these imaginary loans.

### **3. Report lower than actual revenue**

If your husband owns a business, there are many different ways he can arrange things so that it appears less valuable than it really is. Revenue can be deferred by manipulating the timing of accounts receivable, for example. Cooperative business relationships can be exploited, favors done and returned, and payments put off until the divorce is final.

Cash-based businesses are especially full of such opportunities. When significant amounts of cash are involved, it can be very difficult to determine your husband's true income. Cash is easily hidden. It can also be used to pay for countless goods and services and to buy luxury items (art, antique coins, gold, etc.) without ever having been reported as income to the IRS.

#### **4. Report higher than actual expenses**

Just as he'll want to minimize his reported revenue, your husband will want to plump up the expense side of the balance sheet on his financial statements. If he owns a business, he may report that he's paying several new employees who don't really exist. He might make "business" payments to friends who agree to hold the checks until the divorce is finalized. Even if he doesn't own a business, he could overpay taxes and personal credit cards in order to receive refunds at a later date. It's all about appearances: The less he appears to be worth, the less you can expect to see in your settlement.

#### **5. Use a business account to pay personal expenses**

If your husband uses his business revenue to pay personal expenses, such as cars, cell phones, travel, meals, etc., he's potentially 1) decreasing the value of the business and thus your share of it (if expenses are inflated, then net profits are reduced; and it's net profits that are used to determine the value of the business) and 2) reducing or eliminating his need to take a salary—and remember: It's that salary that will be used to determine alimony and child support.

## WHY AND WHERE DIVORCING HUSBANDS HIDE ASSETS AND HOW TO FIND THEM

In upcoming chapters, I'll discuss ways to tell if your husband is hiding assets. For now, understand that no matter what his particular motivation or tactics, it's entirely possible that your husband may be trying very hard indeed to make sure that certain assets never even make it to the negotiating table.

### Additional Insights

*From [Cheryl Hyder](#), a forensic accountant and principal of the Hyder Consulting Group in Fairfax, VA:*

I remember vividly one matter I worked on maybe eight years into my career: The independent spouse sold his very lucrative business to his CPA for a price that puzzled both the valuator and me. The value determined for the business after very extensive analysis, and a lot of work, was not even close to the actual transaction price, yet all the paperwork was in place and seemed in order. We took all possible steps to determine if it was a sham transaction but couldn't prove it was—even if the deal smelled. We later learned that the selling spouse approached the CPA to “unring the bell” after the divorce was finalized, and the CPA just thanked him for the bargain purchase.