

# Preparing for Divorce: Is Your Spouse Leading a Double (Financial) Life? Four Strategies to Discover the Truth

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In California divorce law, you're required to produce documents showing complete disclosures of all your assets and your debts. This includes everything you know about, even if it's your stuff from before marriage, and stuff you've accumulated after you've separated. It also includes stuff that your spouse had before and after marriage (if you know about it). Disclose, disclose, disclose – that's the cardinal rule.

When it's time for our clients to start the financial disclosure process, we've noticed an alarming trend: About 40% have no clue what their true financial picture looks like. That's right – 40%! Holy guacamole, how can that be?

Even more alarming, when we dig in and help our clients discover that true financial picture, we often find their spouse has been leading a double financial life. That's not a great place to be, so here's some tips on how to spot the warnings signs of a spouse's financial infidelity.

## I. Check the Obvious

Okay, so I'm going to state the most obvious sleuthing technique here. It may be "obvious" but for sure, so many people fail to do it! What is it?

Read. Your. Bank. Statements.

Read. Your. Credit. Card. Statements.

If your spouse is leading a less-than-truthful financial life, the bank and credit card statements often give you the biggest clues. Look for regular cash withdrawals of significant chunks of dough. Like \$200 to \$1,000 at a time. When cash pulls like that show up with some regularity, it's a common sign of a gambling habit. It's also a common sign of a spouse cheating (I know, that's the elephant in the room – but you've got to know). Cash pulls can also signal a spouse who's squirreling away money

in preparation of divorce.

Credit card statements often show interesting charges you should question. A regular retailer we see is Victoria's Secret. That's right VS shows up all the time! If you're seeing charges at stores like that, and you haven't been the recipient of some frilly little fancies lately, it's time to start asking questions.

How about charges at hotels, gas stations way out of town, restaurants you've never been to, and of course, florists? You might also see money transfers on your bank statements to accounts that you're unfamiliar with; if so, it's time to start asking questions.

## 2. Give Yourself Some Credit (Reports)

When was the last time you ran credit reports for you and your spouse? Running the credit reports for both you and your spouse can be eye opening. Our clients are frequently surprised to learn, for the first time, about financial accounts and credit cards that appear on their credit reports and their spouse's report. See some debts/accounts you didn't know you or your spouse had? Notice late payments you didn't have a clue about? It's time to start asking questions and take charge! These are all signs of a spouse leading a double financial life.

Running credit reports is easy and not very expensive (in fact, free on many websites). We like Experian's [freecreditreport.com](http://freecreditreport.com). It provides free reports and loads of information and articles on credit and credit scores. Another great resource is [creditkarma.com](http://creditkarma.com) which offers free credit reports, free credit monitoring and advice on understanding your report and how to improve your credit scores.

## 3. Be Your Own Best Auditor

Audit. Now there's a word with loads of negativity attached to it. Everyone's afraid they'll be "audited" by the IRS. We don't like hearing "they are auditing your account" because it feels like we're being accused of wrong-doing. But when you become the auditor, you may be surprised at what you find.

Like our favorite television psychologist Dr. Phil McGraw says, "you can't change what you don't acknowledge." Can I get an "Amen"! It's time to audit your personal finances. If there's been financial infidelity there, you

want to know it so you can make changes and build a secure financial future for yourself.

Do you know how title is held on your home, your cars, your investments? Get the title documents (deeds, car registration, investment account statements).

How about the big loans (mortgage, auto loans, personal loans, business loans, home equity loans)? Get the statements. If you can't get them because they aren't in your name, you've just had a big wake-up call!

How about the tax returns – are you an active participant in the filing process? Many people hand over the financial aspects of their relationship to the other spouse because it's the path of least resistance. Have you ever signed loan or refinancing documents without reading or participating in the transaction? This is the "danger zone"!

Be sure you check the title on all the bank accounts, real estate, vehicles, investment accounts. Audit the accounts, know where the money is being spent. If you have a family business, be sure you review the books regularly and the bank accounts – even if your spouse runs it and you do other things. Audit, audit, audit!

#### 4. Become an Active Participant in Your Finances (and Change Your Destiny)

Has your spouse "handled" all the finances during your marriage?

Personal finance guru Suze Orman warns, "Don't hand over finances to your (spouse) or partner!" She says people (especially women) often hand over their family's financial matters to their partner either because they are scared, lazy, or following an old-fashioned role. Suze says that being in control of your financial destiny requires that you be an active participant, not just by paying bills, but in overseeing your investments too: "Take this step and I think you will be surprised how this helps your relationship." \*

Of course, taking an active role may reveal that double life so many sneaky spouses are living. If so, better to know now so you can take immediate action (and your matrimonial lawyer can get you the help you need).

\* Source: "Women & Money" by Suze Orman

# Empowerment Checklist: Take Charge of Your Finances

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Ready to take care of (financial) business? Then we've got a great checklist for you. This list is a super-powerful guide to help you discover your true financial picture. Use this checklist to gather all the financial information you'll need to take control of your financial future. Collect the list of documents below and check off each item as you complete it. Be sure to use the action items list at the end!

## Assets - Real Estate

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### My House (Primary Residence):

- Deed to my house.
- Copy of all mortgage loans on my house.
- Latest mortgage statement for my house.
- Copy of any home equity lines of credit (HELOC) taken out against my house.
- Latest HELOC account statement.
- Latest property tax bill for my house.
- Latest homeowner's insurance bill for my house.
- Current value of my house (estimate): \$\_\_\_\_\_
- Loan balance owing against my house, including any HELOCs (estimate): \$\_\_\_\_\_

### My Rental Properties (for all rental properties you and/or your spouse has):

- Deed to the rental property.
- Copy of all mortgage loans on the rental property.
- Latest mortgage statement for the rental property.
- Copy of any home equity lines of credit (HELOC) taken out against

the rental property.

- Latest HELOC account statement.
- Latest property tax bill for the rental property.
- Latest homeowner's insurance bill for the rental property.
- Current value of the rental property (estimate): \$\_\_\_\_\_
- Loan balance owing against the rental property, including any HELOCs (estimate): \$\_\_\_\_\_

## Assets - Vehicles, Boats & Trailers

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### Vehicles

- Make a list describing each vehicle.
- Title document for each vehicle.
- Copy of registration and license for each vehicle
- Latest auto loan statement for each vehicle.
- Current value of each vehicle (estimate): \$\_\_\_\_\_
- Loan balance owing against each vehicle, including any HELOCs (estimate): \$\_\_\_\_\_

### Boats/Watercraft

- Make a list describing each boat/watercraft.
- Title document for each boat/watercraft.
- Copy of registration and license for each vehicle.
- Latest loan statement for each boat/watercraft.
- Current value of each boat/watercraft (estimate): \$\_\_\_\_\_
- Loan balance owing against each boat/watercraft (estimate):  
\$\_\_\_\_\_

## Insurance

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### Life Insurance

- Copy of life insurance policies and identify who the beneficiaries are of each.
  - What is the death benefit amount, in the event the insured person dies?
  - How much is the monthly premium for each policy?
  - Do any of the policies have cash value (like a whole life or universal life policy)? If so, what is the cash value if you turned it in today?

### Health Insurance

- Copy of all health insurance policies (medical, dental, vision).
  - How much is the monthly premium for each policy?

### Auto Insurance

- Copy of all auto insurance policies (include boats, watercraft and trailers).
  - How much is the monthly premium for each policy?

## Financial

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- Savings Accounts
  - Identify each account name, number and bank.
  - Copy of latest account statement.
- Checking Accounts
  - Identify each account name, number and bank.
  - Copy of latest account statement.
- Credit Union And Other Deposit Accounts
  - Identify each account name, number and bank.
  - Copy of latest account statement.

- Cash**
  - Identify how much.
  - Identify the location of the cash.
  
- Tax Returns**
  - Copy of last three years of PERSONAL Federal tax returns.
  - Copy of last three years of PERSONAL State tax returns.
  - Copy of last three years of BUSINESS Federal tax returns.
  - Copy of last three years of BUSINESS State tax returns.
  
- Tax Refund**
  - Amount of refund coming from the State: \$\_\_\_\_\_
  - Amount of refund coming from the Federal (IRS): \$\_\_\_\_\_
  
- Stocks, Bonds, Secured Notes, Mutual Funds**
  - Identify each investment account name, number and investment institution.
  - Copy of latest account statements.
  - For stocks and bonds, get copies of all certificates and certificate numbers.
  - For secured notes (loans that others owe me, secured by property), get copies of all loan documents and payment history.
  
- Retirement, Ira's, Pensions, Profit Sharing, Annuities, Deferred Compensation**
  - 401k accounts?
    - Copy of the plan summary for each account.
    - Copy of latest statement for each account.
    - Any loans taken out against this account?  
If so, how much, what was the loan money used for and how much is owing on the loan?

- IRA accounts?
  - Copy of the plan summary for each account.
  - Copy of latest statement for each account.
- 457b accounts?
  - Copy of the plan summary for each account.
  - Copy of latest statement for each account.
- Other Pension accounts?
  - Copy of the plan summary for each account.
  - Copy of latest statement for each account.
- Profit Sharing accounts?
  - Identify each account/plan.
  - Copy of latest statement for each account
- Annuities?
  - Identify each account/plan.
  - Copy of latest statement for each account.
- Deferred Compensation accounts?
  - Identify each account/plan.
  - Copy of latest statement for each account.
  
- Accounts Receivable and Unsecured Notes**
  - Copy of each debt that someone else owes me, my spouse or the family business.
  - Copy of all payments made for each debt owed to me, and the remaining balance owing.
  
- Partnerships and Other Business Interests**
  - Identify each business (name and percent of ownership I or my spouse have in the business).
  - Copy of all K-1 statements (if any) for each business, for the last three years.

- Copy of all Schedule C's (from my tax returns) (if any) for each business, for the last three years.
  
- Other Assets**
  - Identify any other assets (things of value) that I or my spouse owns.
  - For each "other asset," get title documents and determine how much each asset is worth.
  
- Wills/Trusts**
  - Copies of any Wills made by me or my spouse.
  - Copies of all Trusts made by me or my spouse.
  - Copies of all Trusts where I or my spouse is a beneficiary.

## Debts

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- Student Loans**
  - Copy of each loan and who's name the loan is in.
  - Copy of latest loan statement.
  
- Support Arrearages**

If either I or my spouse pays child or spousal support from a prior relationship:

  - Copy of each support order.
  - Records of all payments (paid and owing).
  
- Loans—Unsecured**

If either I or my spouse owes personal loans or lines of credit (not secured by a house, car or other asset):

  - Identify each bank/creditor and the loan number.
  - Copy of the latest statement (showing how much is owing).

- Credit Cards**
  - Identify each credit card and account number (in either my name and/or my spouse's name).
  - Copy of the latest statement (showing how much is owing).
  
- Other Debts**
  - Identify any other assets (things of value) that I or my spouse owes.
  - For each "other debt" get copies of documents showing the debt and any statements of amounts owing.

## Action Items

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- Run my credit report.
- Run my spouse's credit report.
- Find out if I'm late on any debts. If so:
  - Make a plan to get caught up (call the creditor to see if a re-payment plan is available).
- Review the last 6-12 months of my bank statements (and family business account statements) to see if there are any irregularities.
- Review the last 6-12 months of all credit card statements (and family business credit statements) to see if there are any irregularities.
- Find out how much it would cost to get my own health insurance plan (independent or through my employer) and how much to add my kids.
- Find out how much it would cost me to get my own auto insurance plan.
- Make an appointment with a financial advisor to review my situation and help me make a plan.
- Meet with a CPA to help me understand my tax situation and get recommendations.
- Find a great family law attorney to help me get legal protection and give me advice.

## Questions?

Contact us to schedule a consult. You can use this checklist and be prepared!



Schedule your consultation at [saperelawfirm.com](http://saperelawfirm.com)

Email: [info@saperelawfirm.com](mailto:info@saperelawfirm.com)