## Wealth Adviser

# Voices: Richard Feldstein, on Advising the 'Out Spouse' in a Wealthy Divorce

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*Voices is an occasional column that allows wealth managers to address issues of interest to the advisory community. Richard Feldstein is a partner with accounting firm Nigro Karlin Segal & Feldstein, which has offices in Los Angeles and New York.*


**Richard Feldstein**

In a high-net-worth divorce, I define the "out spouse" as someone who hasn't been involved in the finances of a marriage by choice or otherwise someone who has had little interest in participating in the financial decision making. It can be either spouse depending on the nature of the relationship.

During a high-net-worth divorce, the out spouse may find themselves needing help with assets that need attending to such as construction projects, yachts, airplanes, or investments that need monitoring. Advisers working through a divorce need to keep a few things in mind when working with the client, as well as attorneys and other financial planners, to make sure he or she is receiving their fair share of the assets in the divorce.

For example, consider making use of a forensic accountant. Forensic accountants typically come at the request of the family lawyer on both sides, but they're a good idea to make sure that no assets are being hidden. They can also do a secondary analysis of income and expenses. Those records are essential for the out spouse who will receive spousal support or child support based on the family's lifestyle and income before the divorce.

The forensic accountant should also look at prior tax returns. This can be an easy step to forget. You can't just look forward, but you have to take a quick look back to make sure the out spouse gets their share of any joint tax refunds for the coming year.

It's also important when working with high-net-worth individuals to treat the divorce as a liquidity event, similar to the sale of a company or even winning the lottery--an event that is unlikely to occur again.

The out spouse often doesn't work, so a financial plan has to be developed that will support them in the style they have grown accustomed to for the rest of their lives. Typically this means doing cash flow and wealth-accumulation projections and monitoring those quarterly to make sure the client doesn't fall off the grid, so to speak, in terms of their spending.

Because this liquidity event is likely to happen only once in the client's life, we tend to err on the side of being very conservative with these clients' investments. For the most part, these clients understand that don't have much experience and that they need help; and they're open to it. They're typically not business people so it's necessary to spend a lot of time upfront educating them.

To that end, advisers need to have patience. These clients are typically very smart and given a little bit of the adviser's extra time they can rise to the occasion, putting together a good financial team and making intelligent financial decisions themselves.