

# [Divorce Financial Analyst](#)

## Divorce Financial Analyst



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When you consider divorce, or if you know someone who is contemplating divorce, the first thing that comes to mind is attorneys, followed closely by money. The sooner someone says it is not about the money, the more it is about the money. And not just cash, but the realities of property valuation and division, child support and spousal maintenance. More and more divorcing couples and divorce attorneys are seeking the assistance of financial experts to navigate the money concerns.

These financial experts can be called divorce financial planners or divorce financial advisors, but only a Certified Divorce Financial Analyst (CDFA) has the training and certification to be a financial expert in divorces. This certification is governed by the [Institute of Divorce Financial Analysts](#). Sure, some CPAs can piece together financial forecasts to give you the information you need, but specific training and experience is needed for a comprehensive divorce plan.

Jason Watson, the Managing Member of WCG (formerly Watson CPA Group) located in Colorado Springs, is a divorce financial analyst, a tax expert, a small business consultant and a financial planner. He works closely with other divorce professionals, experts, insurance agents, financial advisors and tax accountants. You don't have to have five meetings with five different professionals to get the advice you need! Enough sales pitch, here are some more considerations.

## Divorce Taxes

One of the biggest overlooked issues when couples divorce are the taxes related to marital property. Let's say you have a Roth IRA that is worth \$100,000 and your spouse has a 401k that is worth \$100,000. Are these marital assets equal? Perhaps. But if the 401k is mostly pre-tax contributions, then the \$100,000 Roth IRA is worth way more than the 401k. Why? Because it holds a tax advantage over the 401k. How much of an advantage? Or better asked, how much of a discount does the 401k deserve? Depends. Classic tax professional answer, huh!? Sorry, but it really does (not that it makes you feel any better).



How about this one? A rental property is worth \$250,000 and is paid off. Does this have the same value as a \$250,000 savings account? What if you learned that the cost basis is \$20,000 due to the land value and the building is fully depreciated? To convert this \$250,000 rental property into cash will cost you a ton in depreciation recapture taxes, in addition to the cost of selling it (7-8%). But wait! There's more. What if you and your spouse have piled up a bunch of disallowed passive activity losses that normally get released when the passive activity is disposed (sold)? That tilts the equation the other way, but only if you get those carry forward or passive activity losses as part of your divorce settlement.

Another one- we can't resist. Which is worth more, \$50,000 equity in a rental property or \$60,000 in home furnishings? Trick question. Today with a cash buyer? The furniture. Five years from now? Probably the rental property since most real estate over time appreciates or increases in value. Furnishings depreciate or go down in value, or become completely worthless after watching Extreme Makeover The Home Edition. Be careful!

Money can change colors. And a dollar is not always a dollar. When seeking divorce planning, you should strongly consider using a firm such as WCG (formerly Watson CPA Group) and its [team of professionals](#) that are experts in taxation, financial analysis and retirement planning. Contact us at 719-387-9800 or **Jason Watson at 719-428-3261 directly**. Email is fine too, but we are sensitive to the privacy concerns of an email. Money can change colors. And a dollar is not always a dollar. When seeking divorce planning, you should strongly consider using a firm such as WCG (formerly Watson CPA Group) and its [team of professionals](#) that are experts in taxation, financial analysis and retirement planning. Contact us at 719-387-9800 or **Jason Watson at 719-428-3261 directly**. Email is fine too, but we are sensitive to the privacy concerns of an email.

## Certified Divorce Financial Analyst (CDFA)

Some of these valuation mistakes could cost you \$30,000 or more (just using these examples). Spend money to save money, and not just on a divorce lawyer. Typically, they simply don't have the training and expertise in the tax issues involving property valuation and division, and they will be the first to admit it. Moreover, they don't want to. Everyone needs to be expert in a few narrow fields in his or her chosen profession, and defer issues outside those bands to other professionals.

Here is another consideration- What about pensions such as PERA, 403b plans and FERS? Social security benefits? These get tricky right quick. Or let's say you are to receive \$20,000 per year for fifteen years in child support, but you want to protect yourself with a life insurance policy. How do you determine the amount needed? Who owns the policy? Let WCG (formerly Watson CPA Group) help! With a Certified Divorce Financial Analyst and several CPAs on our team, we can assist by determining the financial impact of your divorce. We work with do-it-yourself couples and divorce lawyers all over the country.

If you are already working with a divorce attorney, ask him or her to explain the math so you may determine the credibility and get a feel for the accuracy. And if you are not comfortable, ask for a financial expert. Divorces are already stressful, let's not stay up at night thinking about the accuracy of the money numbers. Yuck. If you are looking for a divorce lawyer in El Paso county or Colorado Springs, WCG (formerly Watson CPA Group) can help refer you to one (we have three in our office).

## Do It Yourself

Many divorcing couples consider preparing and filing divorce paperwork on their own. This can be a really good idea. Most divorces will cost at least \$5,000 and usually upwards to \$10,000 for most situations (and Yes, legal divorce costs can really

zoom up in highly contested cases). WCG (formerly Watson CPA Group) can prepare the financial reports and provide two hours of divorce mediation for a flat fee of \$850. Also, there are divorce attorneys that we work with who will assist both parties in preparing the divorce paperwork for an estimated \$900 to \$1,200. So, you could get everything done for about **\$2,000**.

**Caution:** in the \$2,000 example above, an attorney is not representing either party and WCG (formerly Watson CPA Group) is merely providing divorce financial reports for both parties to use. Having said that, having legal representation via a divorce lawyer might be in your best interest.