

## Hidden Assets

There are many ways that assets can be hidden in an impending divorce. Following are a few to be aware of:

1. **Financial statements to acquire a loan:** Any loans from lending institutions require sworn financial statements to be filled out. In most cases, the borrower is trying to impress the lending institution with the extent of assets and may exaggerate these. Looking back five years or so at these statements may put you on the trail of assets which are now unaccounted for, or which show valuations substantially greater than what is now claimed.
2. **Expense account abuse:** Very often, a corporate employer will allow employees a great deal of leeway in their expense-account reporting. A spouse may take advantage of this by exaggerating or even falsifying business expenditures. The employer maintains records as to expense account disbursements to the employee over the year with monthly detail. A check of these records will indicate the extent to which the employee is able to “live off” the expense account. A cross-check between expense account disbursements and savings account or checking account deposits may indicate a pattern of expense account abuse if the deposits exceed legitimate business expenditures.
3. **Deferred salary increase, uncollected bonus, or commissions:** It is always a good idea to check directly by subpoena or otherwise with the spouse’s employer to determine whether a salary increase is overdue, when it will be forthcoming, and how much it is. Employers are sometimes sympathetic to their divorcing employees and willing to bend the rules slightly to defer salary increases, bonuses, or commissions in order to suppress apparent income. Ultimately, these increases, bonuses, or commissions must be paid to keep the corporate books straight, and the employer will rarely lie when put under oath or forced to make a written statement on the subject. Sympathy goes just so far.
4. **Income tax refunds:** It is possible to over-withhold taxes from earned income so that there will be a refund coming that no one knows about or has thought about! This is especially effective if the divorce is final before the refund comes in the mail. Then, the recipient of the refund doesn’t feel obligated to share that information or the refund.
5. **Cash transactions and in-kind compensation:** One spouse may be a physician or a shopkeeper, or in some other work where cash is paid, or he

or she may receive in-kind compensation, where something of value -- other than cash -- is given in exchange for services. Such cash payments or noncash items are rarely reported on the income-tax return, but if you know of such income in the past and can subpoena current information, it will help in proving available income in excess of that shown on the income-tax returns. If one spouse buys things of substantial value with cash, there is probably a source of cash income somewhere. Most people don't retain cash in a noninterest-bearing form unless they're hiding its source.

6. **Children's bank accounts:** Frequently, a spouse who wishes to hide money will open a custodial account in the name of a child. Deposits and withdrawals are made without any intent that the child has use of the account except in case of the spouse's death. The interest from these accounts may be low enough so as to not require a tax return to be filed for the children.
7. **Phony income-tax returns:** When the divorce has been filed, some spouses are inclined to alter the copies of their previously filed income-tax returns to hide or adjust pertinent financial information. If you have reason to believe that furnished copies have been altered, ask for copies of jointly filed returns directly from Internal Revenue Service.
8. **Phony loans or debts:** To keep cash from being divided, a spouse may sometimes attempt to bury the money with a phony loan to a cooperative friend or relative. The loan may be tied up with a long-term note or with a claimed likelihood of un-collectability, so as to remove this money from consideration at settlement time. The other spouse, who was never aware of the debt, of course did not sign the note because it probably came into existence after the divorce proceedings commenced.

**"Friends" or other phonies on the payroll:** If one spouse is in a position to control the payroll of a sole proprietorship, partnership, or closely held corporation, he or she may be paying salaries to a friend or relative who is not actually providing services commensurate with the compensation. The friend on the payroll may be stashing the money away or they may be both enjoying it currently. In either case, the profit of the enterprise will be reduced accordingly and the spouse may be drawing a lesser salary. The same ploy can be used for payment to phony independent contractors.