

4 Financial Pitfalls in Wealthy Divorces

The dissolution of a high-net-worth marriage is more than a relationship ending; it is the breaking up of a major economic partnership. As portfolios become more global and compensation packages more complex, the legal strategies used in these divorces have had to become increasingly sophisticated. Jos Family Law reports on the four specific financial pitfalls that threaten to erode wealth during these high-stakes separations.

- 1. Ignoring the Tax Impact:** It is a common mistake to treat all assets as equal. A million dollars in a savings account is not the same as a million dollars in a traditional IRA. The IRA comes with a deferred tax liability that will eventually reduce its value by 30% or more. Specialized counsel ensures that settlements are structured on an *after-tax* basis, ensuring that clients are not shortchanged by accepting "tax-heavy" assets while the spouse keeps the cash.
- 2. Mishandling Executive Compensation:** For C-suite executives, income often comes in the form of Restricted Stock Units (RSUs) or performance shares. These assets often vest over a schedule that spans years. Determining how much of that stock belongs to the marriage (community) and how much belongs to the employee (separate) requires a nuanced application of the "time rule." Failure to apportion this correctly can cost an executive a fortune in future earnings.
- 3. Undervaluing Business Goodwill:** A professional practice or consultancy has value beyond its equipment. It has "goodwill"—the expectation of continued public patronage. In a divorce, this goodwill must be valued and divided. One party often tries to claim the business is worthless without them, while the other claims it is a goldmine. Legal experts use objective market data to find the true number, preventing the business owner from "buying out" the spouse for pennies on the dollar.
- 4. Hidden Assets and Non-Disclosure:** In complex estates, it is easy for assets to disappear into shell companies or offshore accounts. The discovery process in these cases must be aggressive. Attorneys use subpoenas and forensic audits to ensure full disclosure. If assets are found to have been hidden, the court can award 100% of that asset to the other spouse as a penalty.

Engaging a **Family Law Attorney Orange** ensures that these pitfalls are identified and avoided. The narrative of wealth

preservation is about attention to detail. It is about understanding the fine print of a balance sheet and the tax code.

In conclusion, protecting substantial assets requires a strategy that looks beyond the face value of the estate. By addressing taxes, compensation structures, goodwill, and disclosure, legal counsel ensures a fair economic split. Stay informed and protected. Read more about our services at <https://josfamilylaw.com/>.