



Michael B. Lehner, CPA/ABV, CFE, ASA
732.412.3825 | mlehner@zbtcpa.com
www.zbtcpa.com



zbt Certified Public Accounting
& Consulting, LLC

Viewpoint on Value

Searching for hidden assets and unreported income in divorce

When high net worth individuals file for divorce, both sides have a financial incentive to hide assets owned and income generated by their marital “partnership.” So, it’s important to inventory the marital estate as soon as possible.

How to conceal wealth

A dishonest spouse may resort to creative techniques to maximize his or her share of the marital estate. Examples include:

- Physically concealing an asset,
- Denying that an asset exists,
- Deferring income and/or accelerating expenses,
- Falsifying documents,
- Transferring assets to a third party,
- Claiming an asset was lost, and
- Creating false debt.

For instance, cash is easily stashed in a safe or a relative’s safe deposit box. Or a spouse may claim that expensive jewelry has been lost, when it’s actually hidden under the mattress in the couple’s former bedroom.

Cash also may be used to purchase art, jewelry, vehicles, boats and other personal property. These items may be overlooked or undervalued when inventorying the marital estate. Spouses may even ask their employers to delay paying commissions, raises or bonuses until after the divorce settles.

The biggest opportunity to conceal assets and income happens when the marital estate includes a private business interest, including rental properties. In addition to skimming cash from the business, the owner-spouse might try to depress business value by deferring income, accelerating expenses, understating assets and overstating liabilities.

How to uncover hidden assets and income

Proving that any of these events has (or hasn’t) occurred can be challenging. Tax returns can provide a road map to income-earning assets and asset sales. They also identify sources of income, including W-2

wages, interest, dividends, rental income, and gains or losses from the stock sales. Each page of the tax return should be carefully examined.

For example, Schedule A, “Itemized Deductions,” may show a property tax deduction for undisclosed real estate assets. Schedule B, “Interest and Ordinary Dividends,” may highlight foreign accounts and foreign trusts. And Schedule C, “Profit or Loss From Business (Sole Proprietorship),” might identify hidden business assets. Form 6521 contains the alternative minimum tax (AMT) calculation. Whether the taxpayer has incurred AMT tax could also help identify hidden assets, such as real estate and incentive stock options.

Other documents to request during discovery include:

- Personal and business bank statements,
- Pension and retirement account statements,
- Credit card statements and applications,
- Loan statements and applications,
- Insurance policies and bills, and
- Wills and other estate planning documents.

To unearth asset purchases and transfers, an expert will also need personal identification information for the other spouse and other individuals (such as friends and relatives) who might be complicit in the diversion of personal assets. This includes their full legal names and variations (nicknames, abbreviations and common misspellings), as well as known aliases.

Need help?

Unearthing unreported income and hidden assets can be difficult. But a trained financial expert can help find clues and open the facts for a fair and equitable settlement. The key is to hire your expert as soon as possible to minimize the opportunity for a dishonest spouse to conceal wealth, and to increase the likelihood of full and adequate discovery.

Do you have a
Question?
or want to speak to

Michael B. Lehner
CPA/ABV, CFE, ASA



Michael B. Lehner, CPA/ABV, CFE, ASA
☎ 732.412.3825
✉ mlehner@zbtcpa.com
🌐 www.linkedin.com/in/michaellehnercpa
🐦 @MLehnerCPA
📺 [BusinessValuationNJ](https://www.youtube.com/channel/UCBm31111111111111111111)
🌐 www.zbtcpa.com