

Daily tip: Save your business in a divorce

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Today's tip comes from CPA and attorney Lisa Hughes of **Hughes & Sullivan** law firm in Tustin.

Navigating a small business through the current economic meltdown is hard enough but when divorce becomes a factor, the stakes are even higher. The ramifications of divorce are numerous especially when

emotions are involved. Divorce is difficult, but making wise decisions each step of the way is key to keeping a business alive and thriving.

Here are a few key business-ownership areas to be aware of and avoid pitfalls during a divorce:

1. **Value of a business.** The dates and period of time your business is being financially evaluated are critical.

You should understand the implications on value of upward or downward trends and whether the business began before or after the date of your marriage.

2. **Full disclosure.** Don't try to hide income or assets. Your spouse may be awarded the full value of what you didn't disclose.

In a recent case, a powerful businessman owned a high-end commercial real estate company with estimated assets of \$50 million. He failed to expose all his earnings and transactions for the trial, violating his disclosure duties. His wife discovered his hidden assets and the judge required him to pay his wife \$250,000 in sanctions along with \$140,000 in attorney fees for this breach.

3. **It is NOT business as usual.** A divorce is a huge distraction to the operating spouse who usually ends up paying community bills as well as support for the former spouse and kids.

The financial drain can cause poor business decisions. Also, keep in mind that the profits removed from the business by one spouse after separation may be community profit, not salary for the services rendered by the spouse operating the business.

4. **Retain a forensic accountant.** Many small business owners try to use their existing accountant because they already have an established relationship and/or offer reduced cost.

You should instead hire a forensic accountant who can provide more extensive expertise than a general accountant, and provide in-depth understanding of the applicable law and the expertise to testify in court.

5. **Income taxes.** Be aware that the report for your income taxes will not likely be the same number the court will use for your cash flow/support purposes during the divorce proceedings.

Sometimes the tax authorities come knocking after they have conducted an audit and demand money from both spouses due to "irregular" business practices.

If you have a tip, resource or strategy to help small businesses, [click here](#) to send it to me. If I use it, I'll give you credit and link to your web site.



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