



Forensic Accounting Today

Newsletter of Ron J. Anfuso, CPA/ABV, An Accountancy Corp.

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Issue 31



**Robert Parker,
CPA, MBA**

I am pleased to introduce you to Robert Parker, one of our senior accountants. Since 2012, Robert has served as an integral member of our accounting team, practicing litigation support services under my direct supervision. As of May 2015, Robert has worked on more than 200

unique cases for the firm. His forensic skills and knowledge have been honed in the areas of divorce mediation and litigation, while developing significant expertise in DissoMaster™ preparation, cash flow analysis, property apportionments, retirement account apportionments, tracings, business valuation, and asset and liability division.

Robert brings a unique business perspective to all of his cases with the academic credentials of a Masters in Business Administration from the University of Southern California, a degree in accounting from Long Beach State University and the professional experience of a licensed Certified Public Accountant and business consultant.

Robert's accounting career began at Windes & McClaughry Accountancy Corporation and continued at Ernst & Young and PricewaterhouseCoopers. His background has enabled Robert to become adept and proficient in many areas of value to our firm, including partnership, corporate tax and financial statement analysis, business valuation, and cash flow analysis.

Immediately prior to joining our team, Robert worked as an independent contractor for large accounting firms. He performed in a variety of roles related to accounting, problem resolution and forensic investigation. Our clients are finding Robert to be a valuable asset to our firm.

Ron

“Generous” Divorce Settlement Offers Are Not Always as Generous as They Appear

By Robert Parker, CPA, MBA, Senior Accountant

Fred and Mary Brown had been married for almost 30 years. As a member of the senior management team of a *Fortune 500* company, Fred was earning more than \$1,250,000 a year. His objective was to attain a quick divorce. He had fallen in love with another woman, wanted a complete break from his marital ties with Mary and wished to immediately retire so he could spend quality time with his new lady friend. Fred was 55 years old. Rather than pay spousal support, he proposed to Mary (age 50) to split all of their assets 50/50, including his pension. In Fred's mind, since he was no longer going to work, this agreement would cover any need for spousal support, as he would no longer have income other than from his pension.

Another component of Fred's offer related to their children. His proposal included that Mary would remain in their Corona del Mar home for five years. At the conclusion of this period, they would sell their home and split the profit 50/50. One of their children had already begun college and the other would be graduating high school in a year. By keeping the family home for another five years, the children would be able to return home for their school breaks, which both Fred and Mary concurred was essential. Fred agreed to cover their college expenses.

Although Mary was initially in accord with the proposed settlement, her attorney convinced her to allow him to call in our Forensic Accounting team to determine whether a better settlement was possible. Her counsel was somewhat uncertain what the values should be, so he wanted us to review the numbers and generate a counter proposal.

Our Tasks

Our initial task was to determine the marital standard of living up to the point of separation. Next, we needed to consider that Fred still had the potential of 10 more working years ahead of him. Thus, the court could impute income available for spousal support for the next 10 years. This point made it imperative for us to calculate the value

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* For an explanation of these titles, please visit our website or request a copy of Issue 3 of Forensic Accounting Today.



If Your Forensic Accountant Misses the Deadline, How Will This Impact Your Case?

Our Pledge to Our Referring Attorneys:

- We will never take on a case unless we have the qualified manpower to timely handle the work
- We will engage in meticulous planning prior to beginning our work
- Ron will carefully delegate and oversee all tasks to ensure timely completion of all of our work

We make good on our pledges. This is why attorneys who refer to us know they can count on us to meet their deadlines. Just ask them.



Contact **Ron J. Anfuso, CPA/ABV An Accountancy Corporation** to handle the accounting for your next case

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of 10 more years of maintaining the current standard of living and what an appropriate buyout amount should be if Fred were not to provide 10 more years of spousal support.

Our calculations showed that Mary was spending approximately \$23,000 per month to maintain her standard of living. Subsequently, our in-house certified financial planner determined what her life-long spending needs would be over the next 30 to 40 years including inflation. Our financial planner created a graph that displayed her living needs throughout her anticipated lifespan based on her current and projected standard of living. The graph illustrated whether the proposals would meet her needs on an ongoing basis.

We next determined that the present value of their home was \$3.2 million (her portion being \$1.6 million) based on today's market. For the calculations on the pension, we used a 5.5 percent discount rate of return, which is currently an appropriate rate to determine the value of a series of payments. In addition, it was essential for us to determine what Mary would be sacrificing if Fred stopped working. Thus, we needed to calculate what the marital standard of living would be if Fred continued to work, which we ascertained would significantly increase the amount of spousal support. By being able to quantify what she was willing to give up, we provided her more leverage to successfully renegotiate with Fred. A settlement was Mary's preferred choice as, if the case were to go to trial, there would be no guarantee an income would be imputed to Fred. (Fred also preferred to settle rather than go to trial, as a trial would cause his name to be publicized along with his employer). As a result, Mary's attorney was able to establish that Fred's proposal would deprive her of \$1.5 million in spousal support.

The Settlement

Fred's counter offer was to provide Mary 60 percent of their assets with no spousal support. When we performed the calculations, we discovered this percentage would still not cover her future living expenses. It was at this point Mary expressed her desire to keep the house and have Fred continue to pay each of their child's undergraduate college expenses. We then calculated that the entire value of the house with assets being split 50/50, including the pension, should result in a \$2.4 million settlement award plus the house to Mary with no spousal support. Fred agreed.

The value that we presented to Mary's attorney created a stronger argument to counter Fred's offer and softened Fred's unwillingness to compromise his original position. This was achieved to Mary's and her attorney's satisfaction.

This above article was based on an actual case. However, the names of the parties involved and a few of the facts were changed in order to protect the parties' privacy.