Chicago Daily Law Bulletin®

Volume 163, No. 62 Serving Chicago's legal community for 162 years

Working with the numbers, emotions: Balancing both is attorney's job

Family law attorneys are acutely aware their role is not only to provide legal advice, but also includes guiding clients through ethical, economic and social dilemmas as well. Regardless of who initiated the divorce, new financial realities create feelings of unrest and uncertainty.

Many family law attorneys opt to work with a certified public accountant and a financial adviser to help clients understand their new financial realities.

SARA is an acronym familiar to most family law attorneys and financial advisers specializing in divorce — it stands for shock, anger, resentment and acceptance. Attorneys and financial advisers must help clients avoid making regrettable decisions when they are in the shock phase or too entangled in the anger and resentment phases.

The attorney and financial adviser are often tasked with helping clients combat the desire to make emotional decisions which will likely result in financial losses.

In order to make the decisions stick, clients must feel they had some influence over the outcome of their own financial situation.

Questions clients ask during a divorce

Heather Locus, a certified public accountant, certified financial planner and certified divorce financial analyst, is an owner and leads the divorce practice group at Balasa Dinverno Foltz LLC in Itasca. After years of working with clients going through divorce, Locus shared some of the repeat questions she encounters when helping her clients.

Providing for the family

Regardless of income level, clients universally wonder how they will survive after dividing the marital estate. It is a reality for most that a divorce will lead to significant lifestyle changes. Clients often find their new financial reality confusing and unsettling.

"The best way to overcome this is to help clients understand their assets, liabilities and income as well as their current and projected expenses," she said.

The first step toward achieving financial clarity is coming to terms with what is really in the marital estate. Locus said the key is to guide clients to the point of "acceptance, past the emotion of wanting it all and giving none, to a place where an equitable division is possible." Getting clients to this phase will help them make informed financial decisions in the moment and moving forward.

Additionally, Locus recommends clients create a "bucket list" "where clients write down each expense in one of three buckets: must have, nice to have, can live without." This exercise helps create clarity over what is worth fighting for versus what is worth compromising on.

When going through this exercise, the attorney and/or financial adviser must be gentle yet firm and allow the client sufficient time to process the information in the big picture.

Keeping the marital residence

For some clients, their largest asset is the marital residence. Some clients are eager to sell the home in an effort to get a fresh start, while others want to keep the marital residence for the perceived stability of any children involved.

This question is where social considerations may come into play. "It is critical for clients to acknowledge the full financial ramifications as well as the reality that their relationships with their friends, neighbors and community may change as a result of the divorce," she said.

Locus emphasized how important it is for the attorney and financial adviser to help clients brainstorm the pros and cons of remaining in the martial home versus moving.

COLLABORATIVE CONCEPTS

BETH FAWVER McCORMACK

Beth Fawver McCormack is a partner at Beermann. She practices exclusively in family law matters and is a collaborative law fellow, mediator and child representative.

The most logical solution may not always be the best road to travel. "One absolute truth I have learned," Locus said, "is that what looks ideal on paper from a financial or tax perspective is frequently not the 'best' decision." She said she finds that couples fail to accurately account for significant expenses, such as property taxes, assessments, the cost of maintaining the marital residence and the cost of one party moving to re-establish a new residence.

To address this issue Locus said, "I find crunching the numbers in real-time with the client and attorney by modeling various scenarios provides a reality check along with an opportunity to explore new possibilities in a safe environment without creating physical records of potential case strategy."

Funding children's education without risking retirement

Sometimes counseling clients just comes down to giving them peace of mind. While a client can certainly plan for his or her children's futures, issues such as college contribution are often deferred. Even if the issue of college is deferred by the court, Locus believes the issue should remain on the table. While not required, having the discussion before the divorce is final is often the wisest thing to do.

On this topic she said, "It's important to be strategic in a client's settlement because there are special tax benefits they may not have qualified for as a couple but might as two single parents. Not all assets are viewed the same for financial aid purposes." One option she recommends is that clients speak with financial aid officers about their family's circumstances when the time for college arises.

Additionally, Locus recommends helping clients understand that while they may wish to pay for their children's education, student loans may ultimately be a better option than trying to later catch up with retirement savings.

Making decisions on their own

Attorneys and financial advisers often hear from clients about the fear of making big decisions on their own,

"Thoughts of filing the income taxes and making big purchase decisions are often overwhelming ... helping them find the right fit CPA and financial adviser as their 'new life team' provides a sense of empowerment and confidence," Locus said.

Undoubtedly, divorce is a new reality for all clients. The trick is learning to tailor the amount of information provided to clients as they struggle to balance logic and emotion.

Pairing clients with a financial team will ease their transition from married to single and will lead to better informed and long-term financial decisions.

— The author would like to acknowledge the substantial contributions to this article by law clerk Missy Turk.