

Divorce Valuation Forensic Investigation

The individual and business documented facts tell the valuation story. Divorce planning for business owners comes in many shapes and sizes. Anyone who's working on '*Divorce Proofing the Business*' or suspects a spouse of such actions needs to take steps before it's too late. CBA's goal is to set a fair and equitable number.

Owners with multiple business entities are on the rise. Creative financing, hiding assets and income and round-robin loans by owners can give the appearance of little net worth. A closer look at the entities can reveal sham transactions or honest tax strategies that hide income and assets.

Most people are honest. The majority of financial crimes are committed because of greed and opportunity. You'll discover that as a business valuator we are very familiar with the due diligence steps for a company's sale and investigating the growing problem of "white collar" crime.

However when a divorce occurs, you may find that greed is a secondary motivator to revenge. The most common substantial financial retaliation comes when a spouse owns and controls a business. The business valuator's job as a financial detective is to find and value hidden company assets and income, and spot the danger signs of a financially dishonest spouse.

When a business value is set for a divorce, specific types of businesses, financial transactions, and operating inconsistencies raise red flags for forensic accounting investigation.

Uncovering hidden assets and income use special business valuation training. Business appraisal experience is needed to know when and where to look. Hardly a month goes by without us seeing a new twist on cheating or bad faith negotiations. The firm's checklists have grown to hundreds of ways people have used to mislead and hide financial information.

Regardless of which spouse the valuator represents, the valuator must remain independent and objective in order to present a persuasive valuation report. Carefully defined questions, gathered over many years, uncover information from management and other parties. Specific checklists of business site factors and company records support the search.

Some transactions have a legitimate business purpose and others may only appear on the surface to be regular company dealings. Either type of matter may be disguised attempts to hide assets or income. Any transaction should represent a prudent business purpose. A valuation values only the business interest and does not quantify the owner's known (or hidden) income or assets.

If little or no business intent evidence is present, then the transaction's motivations are suspect. The obvious reason for a sham transaction is a misleading valuation result that will benefit the business owner. Solid facts drive conclusions. Business experience has helped us to develop benchmarks to compare and evaluate data gathered.

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You should note that if you are the business owner, then your appraiser should also do a forensic investigation. Without testing for questionable transactions, the opposing attorney will work to discredit your valuation report for lack of proper professional care. A loss of credibility in any part of the report will impact the entire valuation, related expert testimony, your attorney's preparation of pleadings and analyses, and may taint the court's attitude towards your case. Some level of forensic accounting investigation is part of any marital case that we work on.

The forensic investigation is also beneficial when you're looking for short-term and long-term settlement strategies. A common statement is that I do not want to "kill the goose that lays the golden eggs."

The negotiating process is like trying to go somewhere when you do not know where you are on the business value. Negotiating an unfair business value can lead to a seemingly never-ending battle.

At www.CertifiedBusinessAppraisal.com you will receive customized levels of service with a matched sliding fee scale to fit your current goals with the flexibility to upgrade when things change.

We have proven processes and procedures to reach your goals, starting with your Best Next-StepSM.

Call 513-266-3226, you are welcome to ask anything.

David A. Dinsmore, BCBA, CFP, RFC

Specialist in Business Valuation & Financial Analysis

Notes for Us to Discuss -

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