

ST. LOUIS POST-DISPATCH

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Ask the Expert

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Q: When going through a divorce where property and assets will need to be divided, what are some general considerations that I should take into account?

A: Divorce is a highly emotional and tumultuous time for all involved. Couples must make decisions that impact the remainder of their lives amid times of high stress. Complex, and often final, decisions about children, home, investments, retirement and debt must all be dealt with while tensions are at their highest and communication is at its lowest.

When a couple decides which assets to split, it is critical to separate the emotional attachment to a particular asset from long-term financial security. Making a good decision starts with solid information. Therefore, it is key to have a complete and thorough inventory of all assets, debts, income and expenses. I advise my clients to request a copy of their credit report from each of the reporting agencies. The report will highlight debts and open liability accounts. Gathering copies of tax returns and bank, brokerage and retirement statements is also key.

Often, the couple's personal residence is a source of significant emotional turmoil. One spouse may have an emotional attachment to a residence and may negotiate the equity value by keeping the home instead of seeking long-term financial security. As real estate values have plummeted, the decision and analysis becomes increasingly complex. Many couples are finding their equity eroded with mortgages greater than the value of the home. As a result, trading equity in a residence for financial security may not always be the best long-term decision. In addition, with credit markets tightened, splitting couples are finding it difficult to refinance. The marital residence usually has a low financial return and is a major cash expense. The spouse retaining the marital residence must also consider the cost of taxes, insurance, utilities and repairs.

When a couple splits investment assets, not knowing the original cost basis could also have adverse tax consequences. Always consider the net after-tax liquidated cost of assets prior to division.