



[Back to list](#)

Lifestyle Analysis: A Key to Equitable Divorce Agreements

| 20 Feb 2024 2:51 PM

By: **Nicholas Fecci** | AAML NJ Gold Sponsor [Marcum](#)

Lifestyle Analysis: A Key to Equitable Divorce Agreements

Marital Lifestyle (Analysis):

The marital lifestyle or the standard of living experienced when a couple resides together during marriage can be a crucial element in divorce proceedings. Financially, how did the couple live while they were married? What amount and type of income supports this lifestyle? How much alimony/child support should be awarded to sustain this lifestyle? These questions can be answered by engaging a forensic accountant to perform a lifestyle analysis.

What is a Lifestyle Analysis, and what does it provide?

A Lifestyle Analysis is a thorough examination of the standard of living that a couple enjoyed during their marriage. This analysis is crucial to help establish a factual basis for the couple's spending and saving patterns and overall financial status. Forensic accountants can paint a factual picture of the marital lifestyle and expected future spending through a diligent review of historical financial records such as bank, credit card and investment account statements, as well as tax returns, property records, and loan documents, to name a few.

By reviewing the above documents as well as interviewing the spouse who manages the financials (if that is a feasible option), a Lifestyle Analysis can play a crucial role in the divorce process, especially when it comes to the calculation of alimony/child support, uncovering hidden assets and identifying various sources of income.

Spending:

A look into historical spending from a party's marriage can provide a benchmark for the future spending of each person. A review of the bank statements allows a forensic accountant to categorize individual transactions into the income and expense categories identified from the Case Information Sheet, taking into consideration the following:

- - Spending of the parties both individually and jointly.
- - Recurring and non-recurring expenses.
- - Dissipation of marital assets (depletion of marital funds), if any.

All of the above considerations can paint a picture of the amount required to maintain a similar standard of living post-divorce to help the parties and their attorneys determine alimony and/or child support payments.

Hidden Assets:

During a divorce, it is not unusual for one party to attempt to conceal certain assets from the equitable distribution process. Through a review of bank statements provided, forensic accountants can uncover various hidden assets by analyzing transactions within the account statements, such as the following:

- - Transfers to additional bank/investment accounts not known by one of the parties.
- - Payments to loan institutions uncovering additional assets purchased during the marriage.
- - Transfers of money to corporations or entities for investment in their business.

Uncovering hidden assets is essential to ensure a fair and equitable division of property during a divorce. Even though parties are required to be transparent in their financial disclosure, a thorough lifestyle analysis is an essential step in ensuring that all assets are on the table and considered during divorce proceedings.

Other Sources of Income / Earning Habits:

The Lifestyle Analysis can also provide insight into additional sources of income that may not have been disclosed, including but not limited to the following:

- - Spending in excess of reported income without accumulating debt can indicate additional, undisclosed sources of income or assets.
- - Review of the income tax returns can identify investment income such as interest, dividends, and capital gains. These income sources can also be identified and confirmed through analysis of bank statements.
- - Direct deposits from additional employment unknown to one party.

Once the entirety of income is disclosed there is a clearer picture of the true funds required to support the standard of living of the parties.

The above discussion is a glimpse of why a well-prepared lifestyle analysis can be essential in ensuring all income and expenses are identified during divorce proceedings. It helps to ensure the likelihood of an equitable settlement by revealing any discrepancies between the lifestyle maintained and the income and assets reported. It can also help the court make informed decisions based on the true economic partnership of the marriage, ensuring the dissolution process is not only legally sound but also adheres to the principles of fairness and equity for both individuals as they transition to their new, independent lives.