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APRIL 2005
Volume 24, Number 15

Official Publication of the



Ask The Expert

Growing Need for Certified Divorce Financial Analysts

The featured expert this month is Michael Phillips Black, CFP®, a certified divorce financial analyst who specializes in divorce financial planning, investment advisory and wealth management services. With more than 20 years experience, Black helps those that are going through a divorce understand all financial entitlements by performing an assessment of their needs before a settlement is negotiated.

Black addresses the purpose of working with a certified divorce financial analyst and when you should involve a CDFA in the divorce proceedings.

Q What is the role of a certified divorce financial analyst?

A CDFA has one primary objective--to achieve a financially fair and equitable distribution in the divorce settlement for the client. An attorney defines "equitable" as the legal allocation of assets. In Arizona, as a community property state, an equitable distribution is usually a 50-50 split of marital assets. An attorney generally looks at the divorce settlement from a "source based" perspective--if there is \$1 million in assets, each spouse will receive \$500,000. For example, if there's \$500,000 equity in the house and the wife is emotionally attached to the house, the attorney might allocate that to her, while awarding the

husband \$500,000 pension. The challenge with this scenario is that the husband has maintained financial security and the wife has a house with a mortgage payment attached that she may only be able to maintain as long as the alimony is paid.

A CDFA looks at the situation from a "needs based" perspective and examines those assets to determine who will benefit most from each asset. Some questions a CDFA may address are:

- Who should keep the house? What are the tax implications?
- How much will it cost to live post-divorce?
- How much alimony is there going to be and how long will it last?
- How will the retirement accounts be split and the money accessed?
- Will a spouse need to access retirement funds pre-retirement to support the post-divorce lifestyle?
- What insurance plans should be kept?
- Will there be enough financial security with the settlement post-divorce?

Q What is the goal of a CDFA?

When working with an attorney, a CDFA's goal is to give his client a clear understanding of all the financial issues, such as:

- Alimony and child support
- Personal vs. marital property
- Valuing and dividing property
- Retirement and pension values
- How to handle the division of real estate
- Tax problems and solutions
- Post divorce cash flow planning
- Giving the client the opportunity to analyze the effect of each asset allocation settlement option, in both its present and future financial effect

Many attorneys are advising their clients to work with a CDFA to ensure their clients are satisfied with the outcome of the settlement and that their future is secured. Satisfied clients boost the attorney's reputation and encourage referrals.

Many experts are recommending CDFAs, including *Fortune Magazine* in an April 15, 2002 article titled "The latest must-have divorce accessory...specially trained Certified Divorce Planners." *The Wall Street Journal* has even weighed in on the subject in article from February 2003 when it ran an article titled "How to Plan the Perfect Divorce: Hire a Specialist."

CDFAs offer invaluable information on the forefront of divorce settlement so that a financially fair, equitable and just resolution can be achieved, not only for the moment but for the future.

Q What type of training is involved to become a Certified Divorce Financial Analyst?

A CDFA graduates from the Institute for Divorce Financial Analysts and receives special training in the financial issues of divorce. They also fulfill continuing education requirements to meet the goal of providing sound financial advice in this area. The Institute for Certified Divorce Planners was founded in 1993 and was developed to fill a need for financial expertise in the area of divorce. ■

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