

## **What To Expect When Working With A Collaborative Financial Neutral**

A premise of Collaborative Practice is that clients are best served by working with people who are trained experts in their field. A divorce involves “uncoupling” in three areas:

Emotional / Family Restructuring      Financial      Legal

Rather than having one professional who may or may not have competence in all aspects of a divorce, the Collaborative Process works better, is more efficient, and can be less costly in the long term by adding specialists in each area to the Collaborative Team.

This handout explains the role of the Collaborative Financial Neutral and what clients should expect when working with a Financial Neutral in a Collaborative Case.

In Washington State, a statute, RCW 7.77, codifies the Uniform Collaborative Law Act. Pursuant to that statute a Collaborative Case requires two parties, each represented by their own attorney, and a signed agreement that disqualifies the attorneys from representing either party outside of the Collaborative Process. While there is no requirement that a Collaborative Financial Neutral be a part of every case, the work of the Financial Neutral is so specialized and essential to the Collaborative Process that many experienced Collaborative Attorneys will not accept a Collaborative Case without a Financial Neutral on the Collaborative Team.

In the Collaborative Process “Financial Neutral” refers to a financially trained professional whose functions are primarily to:

- independently verify financial information on behalf of the clients and attorneys;
- help clients financially uncouple from a nuclear (one) household to a binuclear (two) household; and
- help the clients create a financial base on which to support the financial realities of a new family structure.

Unproductive conflict and unresolved emotions regarding finances are some of the most difficult issues to address in the divorce process. The Financial Neutral helps you understand in a clear, concise, and unemotional manner what assets, liabilities, and incomes you have, and illustrates for you the impact of different possible solutions on the future financial well-being of you, your spouse, and your children. Working with the other professionals on the Collaborative Team, the Financial Neutral will help you articulate your options for property division and income sharing.

Your Collaborative Financial Neutral has extensive knowledge of finances relating to divorce or legal separation and is focused primarily on helping you reach a financial settlement. The Financial Neutral is the Team member who will be most familiar with your finances and will be the “go-to” person to get answers to your financial questions. The Financial Neutral will help you work through the financial considerations that will ultimately go into your financial resolution. This input is essential to help you define and address the financial considerations and questions that are a part of your financial settlement, incorporating as many of your financial goals as possible.

### **Your Financial Neutral’s Expertise**

The International Academy of Collaborative Professionals’ (IACP’s) Minimum Standards for Collaborative Financial Practitioners requires that your Financial Neutral have a license or designation in good standing in one of the following areas, or such other equivalent license or designation that requires a broad-based financial background and continuing education, and that is regulated by a governing body under a code of ethics:

- |  |                                       |
|--|---------------------------------------|
| CFP (Certified Financial Planner)          | CMA (Certified Management Accountant) |
| CPA (Certified Public Accountant)          | CGA (Certified General Accountant)    |
| CA (Chartered Accountant)                  | ChFC (Chartered Financial Consultant) |
| CDFA (Certified Divorce Financial Analyst) |                                       |

Your Financial Neutral may have background, education and/or experience in:

- Financial Aspects of Divorce
- Cash Management and Spending Plans
- Retirement and Pension Plans
- Income Tax
- Investments
- Insurance
- Property Division
- Individual and Family Financial Planning Concepts
- Business Valuations
- Employee Stock Plans
- Real Estate

## **Your Work With The Financial Neutral**

Financial Neutrals have their own fee agreements which you will need to sign prior to working with them.

You will receive a list of source documents for you to provide and forms to fill out in order to provide financial background. These may include requests for a budget of your current expenses and your anticipated post-divorce budgets. Your Financial Neutral will let you know how to deliver these documents, whether by hard copy or through a secured electronic portal.

You and your spouse will meet with the Financial Neutral to review these documents, ask questions, and identify any additional financial information needed. This first meeting provides the opportunity for you to learn more about the role of the Financial Neutral in the Collaborative Process and to discuss issues and concerns that are specific to your situation. You will come away from this meeting with a work plan and deadlines for completing tasks.

Your second meeting with the Financial Neutral will be during a full Collaborative Team meeting with your attorneys for the purpose of reviewing your initial property and budget reports, making sure that each asset and liability is listed, accurately identified by account number, and that a placeholder value is entered. It is essential to establish the accuracy of the property and budget report before progressing to the next steps.

Once your financial information has been compiled and verified as part of the information gathering phase of the Collaborative Process, the next step is identifying your Financial Interests, specifically your financial objectives. This provides the opportunity for you to articulate what is most important in your financial life. For instance, it might be most important for you to be financially self-sufficient, or to keep the family residence, or to save for retirement, or to have cash for a down payment on a new home, or to have the children attend private school, or any number of other objectives.

Knowing your financial objectives is an essential part of the financial uncoupling, which may not be solved with a fifty-fifty division (or other percentage division) of assets. For example, you may not want to buy a new residence if it does not provide the flexibility you want in other parts of your life. Or you may value retirement assets more than other types of assets.

After this identification of each person's Financial Interests, the Financial Neutral will model the "scenarios" to show the impact of various allocations of assets, debts, and income on each household.

These scenarios will provide you with a better idea of what works and what does not work, until you find the scenario that works "well-enough" for each of you; the goal being that each person achieves as many of the person's Financial Interests as possible.

## **How A Financial Neutral Will Help You Through The Collaborative Process**

You and each professional stand on equal footing and each person brings necessary information to the Collaborative Process. All professionals have appropriate training and while there is some crossover in what is brought to the table, everyone on the Collaborative Team wears a main “hat.” Here are some of the ways a Financial Neutral may assist you in your Collaborative Case:

1. The Financial Neutral provides independent verification of the financial information and can also help you understand your current financial situation and your future financial situation, even if you are financially astute.
2. The Financial Neutral can provide guidance when, as in many relationships, one person has managed the finances and the other person may need to be brought up to speed and gain the information and skills necessary to manage the new financial situation and resources.
3. The Financial Neutral may bring to the Collaborative Process additional resources that are not always considered in the legal process. These resources may include information about the use of Vocational Rehabilitation experts, pension valuations, business valuations, tax information, Social Security information, and other knowledge to assist you in making informed decisions that make the best use of your assets and incomes.
4. The role of the Financial Neutral complements the work of the Divorce Coach and the Collaborative Attorneys, who are responsible for other information relevant to the Collaborative Process.

In any legal proceeding emotions and a lack of information have a direct correlation with the cost of the process and ultimately the quality of the Resolution. You bring into your divorce process a broad range of emotions. The Collaborative Process is designed to address those emotions so they do not prolong or undermine the process. The Financial Neutral has information and special training to address effectively for each of you the emotions and fears related to finances and financial decisions.

The Financial Neutral will attend all Team meetings related to financial issues, other than the first four-way meeting.

The Collaborative Process works better and is more cost effective and time efficient when clients are working with the professional most qualified for the task. There is no hierarchy on a Collaborative Team. Remember that your attorneys are the most expensive part of the process. In addition, you deserve to work with the specialists who can best provide you with what you need in order to make the decisions necessary to navigate and complete the process successfully.