

# How CDFA<sup>®</sup> Professionals Add Value to Attorneys

By Pam Friedman, CFP<sup>®</sup>, CDFA<sup>®</sup>



Experienced CDFA professionals tell those entering the field that our relationship with attorneys can be tricky. Every market's family law community has a unique profile. Although I only have anecdotal evidence, it appears that big cities are more familiar with the benefits of our services than small. When cases tend to be larger or more complex, many attorneys view the CDFA professional as additional support for his or her case or the client.

A divorce is a big transition and it is hard to manage emotions during the process. Many attorneys appreciate having an extra pair of eyes and ears to keep clients on track. Newly minted, younger and solo practice attorneys are also likely candidates for CDFA services, so it is worth paying a visit to the young lawyer and solo practice associations in your area.

## THREE TYPES OF ATTORNEYS YOU MAY ENCOUNTER

No one attorney represents any of these extreme examples, but keeping these stereotypes in mind may help navigate the legal world.

### 1 The Attorney Who Takes a Large Number of Cases

To this attorney a divorce is a transaction and settlement is the goal. Assets and debt are divided in half and any required calculations (i.e., pensions, stock options) are decided after mediation based on property laws. This attorney probably doesn't think about the financial health of the client or the tax impact of division post-

divorce. Financial costs of the division are just part of the cost of divorce. After settlement, it's up to the client to enforce the agreement and determine how he or she will meet their needs or cover their support payments.

This may not be an attorney that will want to use a CDFA professional during a case but he may want a relationship with a CDFA professional/financial advisor to whom he refers the client after settlement. In his mind, adding the CDFA professional to his process will add an unjustified expense or worse, cannibalize his fees.

## **2 The Attorney Who Takes Few Cases but Wants (or Needs) to Make the Most Money from Each Case**

This attorney identifies clients that have significant assets and can afford higher fees. This type of attorney could try to drum up drama or drag the case on longer than necessary, making it difficult for the client to understand their financial picture. The case takes longer or ends up in court, costing the client dearly.

This may not be an attorney that will want to use a CDFA professional. He or she may try to answer financial questions after hours of research charged to the client or hire financial professionals that are overqualified for simple calculations or tracings.

## **3 The Attorney Who Takes a Moderate Level of Cases and Employs Only One or Two Paralegals**

This may be the type of attorney that will see the value in hiring a CDFA professional. The CDFA professional becomes their financial paralegal and resource for financial topics.

This attorney has the confidence to know what he doesn't know. He wants an extra set of eyes and ears to create a workable settlement for his client. He understands that a CDFA professional can get his client to be more confident in making financial decisions and may save the client more money than the expense. This attorney begins to recognize the CDFA professional as a way to grow his family law practice as the CDFA professional becomes a source of referrals, too.

To identify which attorney you'll want to work with you have to interview the attorney as much as he interviews you. Ask about the number of cases they take and the professionals they've had involved in cases before.

What will the attorney ask a CDFA professional?



## **FOUR COMMON MYTHS ATTORNEYS MAY BELIEVE ABOUT CDFA PROFESSIONALS (AND HOW YOU CAN ADDRESS THE CONCERNS)**

### **1 MYTH: Clients are unwilling to pay for financial planning during divorce.**

CDFA professionals know how to save money—possibly more than we charge. We identify hidden or underreported assets. We see where the penalties and excess fees are hiding in the division of assets. We protect the client and attorney from making costly financial mistakes.

Investments and tax laws change frequently. Attorneys may think that their CPA can answer any financial question. But most CPAs don't manage investments, prepare budgets or project financial outcomes. CDFA professionals with investment and financial planning practices do. In fact, many attorneys are surprised to hear that not all assets are reported on a tax return. CDFA professionals must explain that IRAs, annuities, many types of debt and cash accounts don't produce income and are not reported on the tax return.

Clients trust a financial professional who specializes in divorce issues. They also trust a legal professional who recommends financial experts like CDFA professionals for their case.

### **2 MYTH: The attorney already uses a forensic CPA and a business valuation expert to prepare analysis. Hiring a CDFA professional is redundant.**

CDFA professionals support the attorney's negotiation efforts by educating the client about



his or her own financial picture. Clients become more financially confident, which enables them to make decisions in mediation or court. Again, our support also protects the client and attorney from costly financial mistakes.

**As financial experts, CDFA professionals either have the knowledge or the resources to quarterback any financial calculation that may be necessary on a case.**

Non-CPA CDFA professionals can only provide tax information, not tax advice. Even though I have eight years of experience working on cases, I do not answer specific tax, legal or business valuation questions. When I do answer questions, I back answers up with information from the IRS website and instructions to consult a CPA or valuation expert.

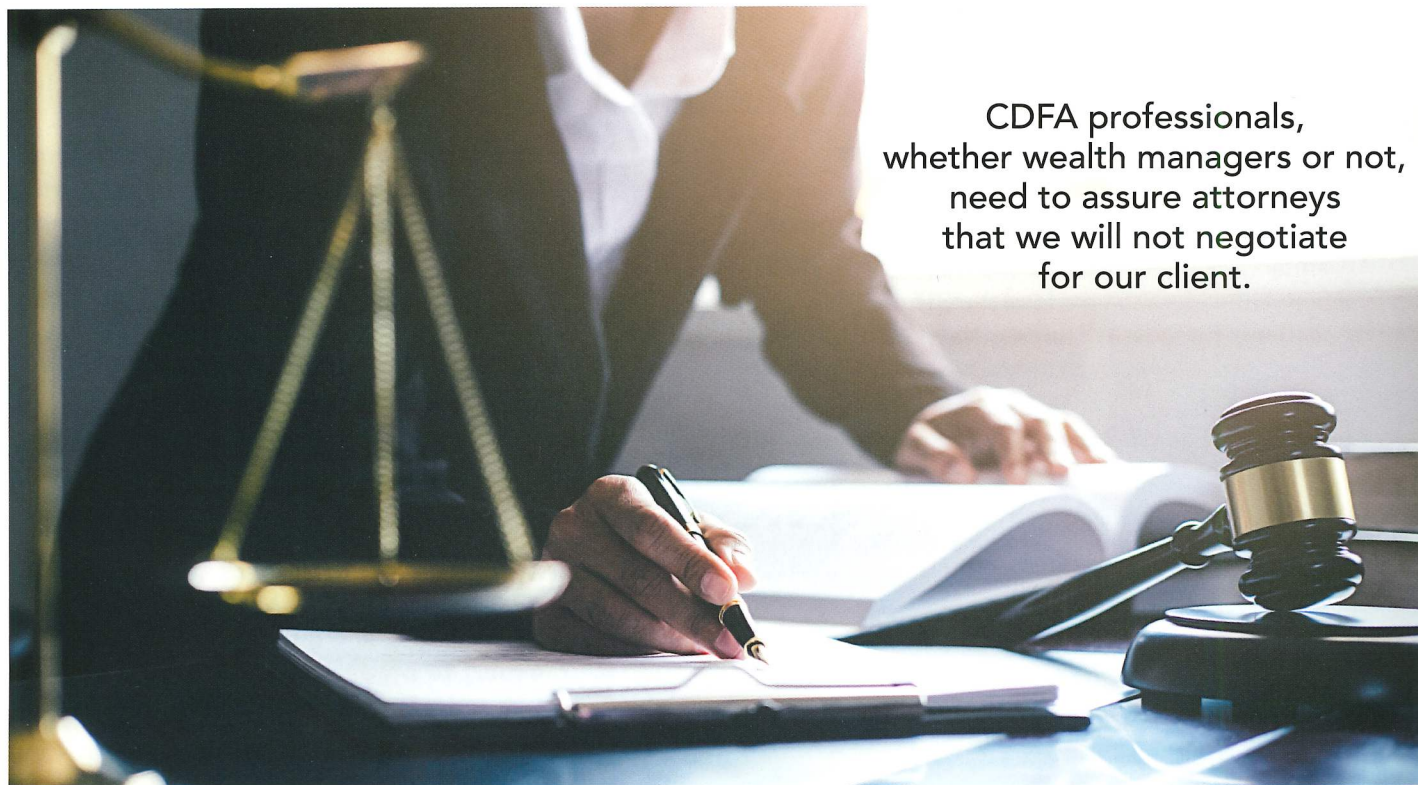
If you do not prepare specific types of analysis (i.e., pension values, stock options division, separate property calculations), be sure you have resources for analysis before you market to an attorney.

If you can prepare these but lack experience in doing so, ask for help. There are CPAs and CDFA professionals who can and are willing to provide a peer review of your work. If you ask for a peer review, be prepared to provide the reviewer all the information you used to prepare the analysis. Don't forget to have the reviewer provide a privacy agreement or redact the name of the parties involved.

**3 MYTH: My paralegal prepares adequate inventory and budgeting spreadsheets used in negotiations.**

To bust this myth, I'll tell you about one of my first clients. Ann came in with a shopping bag full of financial documents. Ann didn't know an IRA from the IRS. She never filled out the attorney's packet.

Ann's case had stalled. Her husband's attorney had no incentive to provide information or move the case forward. Moreover, Ann hadn't talked to her attorney in quite a while. The last bill she received from the attorney was much more than she expected, so she stopped calling. Ann was left in limbo until I, her CDFA professional, organized her paperwork. Together we went



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back to her attorney to get the case started. The attorney was able to make specific requests.

Paralegals are trained to prepare and file legal documents. Some have little or no financial knowledge and many are uncomfortable working with clients to fill out financial forms. Relying on a paralegal's financial abilities only exposes the attorney to unnecessary risk.

#### **4 MYTH: CDFA professionals will give legal advice and promise clients something the attorney is unable to negotiate.**

CDFA professionals cannot and should not answer legal questions. You may need to assure the attorney that you don't offer legal advice.

How a new or experienced CDFA professional fits into an attorney's practice is likely influenced by their previous experience with financial professionals. Inexperienced financial advisors may make promises the attorney cannot keep. CDFA professionals, whether they are wealth managers or not, need to assure attorneys that we will not negotiate for our client.

Our priority is to identify the assets and liabilities, to clarify how each can be divided cost-effectively and to assess the ability of income support and assets to carry the client's financial life forward.

**CDFA professionals inform the attorney when we have knowledge of case law that applies to the client's situation, not the client. We help the client and attorney understand the financial impact of legal strategy.**

#### **LAST THOUGHTS**

Attorneys in your market may be unfamiliar with CDFA professionals or how they add value to the divorce process. They may already have established financial professionals working with them or are resistant to the idea of adding outside professionals to their team.

When I started, I attended family law events and offered seminars for attorneys that included continuing legal education (CLE) credits. I slowly gained their trust simply by being interested in their world.

However, it can still be hard to break into established attorney practices. If it is difficult to get the attention of the attorneys in your market, you may want to start by marketing your services as "financial planning and preparation for divorce" to women's groups, religious groups, insurance agents, CPAs, therapists and attorneys without a family law specialty like estate planners.

Once you begin to refer divorcing clients to attorneys, I expect most attorneys will begin to recognize your important role in the divorce process.

Neither Silicon Hills Wealth Management nor Divorce Planning of Austin offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.



**PAM FRIEDMAN**  
CFP™, CDFA®

Pam authored the book *I Now Pronounce You Financially Fit* on marriage, divorce and the art of maintaining a healthy financial balance throughout. She holds an MBA from the McCombs School of Business at The University of Texas at Austin. She has worked as an investment banker, specializing in middle-market lending and private equity in New York, served as executive director of high-yield bonds for an elite firm in London, and taught graduate-level investment management courses for several years at her alma mater.

Drawing on her extensive experience, spanning nearly 30 years in the industry, Pam helps clients truly enjoy their lives knowing they have a plan for their financial future. She's building a community that appreciates how a little organization, a lot of planning, and a wealth of knowledge enables them to focus their time on the moments that really matter to them.

