

# Collins Forensic and Valuation Services

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## Tracing Separate Property Assets

This article summarizes the methodology we use to trace separate property assets.

### CURRENT ASSETS OWNED

Preparing a list of current assets is the first step in determining if there are separate property interests in assets.

### INTERVIEW

We traditionally meet with the client, and occasionally with their attorney, simultaneously. We discuss the assets the client had before marriage and the assets they may have received as gifts or inheritances during their marriage.

### DOCUMENT REQUEST

Based on this information, we request documents to create a "paper trail" to support a tracing of the assets from before the date of marriage (or their receipt during marriage) to their current location. Often we request real estate closing statements, brokerage statements, bank statements, mortgage statements and other documents to assist us with this task.

### GATHERING AND ANALYZING DOCUMENTS

We organize the documents we receive from the clients by creating a master document request and receipt schedule to make sure we have all the documents needed. On occasion we only receive a portion of the documents we request. Often it is due to the fact that banks or brokerage houses only have copies of recent statements which only go back a few years.

Without documents it is difficult, if not impossible, to prove separate property claims exist. Therefore, it is important to produce as many documents as possible to substantiate separate property claims. Logging documents received and requesting additional documents can be the most time consuming item in a tracing.

### TRACING SCHEDULES

We prepare tracing schedules summarizing the bank and brokerage statements' activity for each statement period. Sometimes we trace individual assets if they remain in one form, such as 100 shares of Microsoft stock. Other times we trace dollar amounts through the years.

If we are tracing dollar amounts, we summarize the overall account activity (such as deposits, withdrawals and transfers) for the periods to be traced in one table. We divide the total activity table into a separate property component table and into a community property component table.

### RINSE AND REPEAT

We generally go back and forth between gathering documents and our tracing schedules before we finalize our master schedules. This is often a time consuming process that requires significant effort, especially if there are multiple transfers between multiple accounts or if the tracing covers an extended period of time.

As we receive additional documents and piece the puzzle together, we learn the common transfers that occurred and the process gathers momentum. Sometimes the tracing leads to additional accounts or intermediary asset accounts that are remembered only after the documents are unearthed.

It is best for the client, attorney, and accountant to have a good discussion about the time and effort involved before a tracing is commenced.

### QUESTIONS OR COMMENTS

Please call me with your comments at 916.333.5330.

— Thomas Collins, CPA / ABV, CFA

