Protecting Your Business Finances During Your Divorce

By John Bovis May 14, 2018

Managing and protecting your business during a divorce is critical to your personal, professional, and financial security.

Business assets may be at risk for being divided up between both parties, causing disruptions to you, your business operations, and the revenue it generates.

Your finances must be managed accordingly in order to prevent unwanted losses related to divorce. Maintaining good records and putting some key accounting practices in place helps you achieve this and other business goals.

Start by Planning Ahead

Business owners need to consider the risks that can arise at any time. These risks can be related to a changing marketplace, internal issues, and personal challenges. Planning ahead is the first step in avoiding financial losses.

Buy-sell agreements can be used to help manage business assets when a divorce arises.

They outline how the ownership of a business will be dealt with in a variety of circumstances. Ownership interests can be reacquired by other business partners or sold to an outside party.

Premarital (prenuptial) agreements make it easy to address business assets and debts in a divorce.

Family law attorneys help clients gather information related to their business and ensure that assets are accounted for by both parties. This helps you present your case in a way that gets you the outcome you need.

Keep Your Business and Personal Finances Separate

Separating business and personal finances is essential to protecting your assets. The commingling of personal and business assets is one of the main issues facing spouses trying to divide marital property.

Your business should be viewed as a separate entity. Not only does this make it easy to manage its finances, but it will also provide many benefits during tax time.

Expenses related to your business should be tracked over time and distinguished from home expenses. Separate bank accounts make it easy to keep finances organized and track spending over time.

Finance software applications such as Quickbooks and Mint are making it easy to manage your personal and business finances. But you'll need separate accounts with these and other tools to avoid mixing their personal and business finances.

Keeping finances separate and organizes ensures that all of the information you need is in one place. More importantly, it protects business assets and prevents the many issues that divorcing couples face.

Good Accounting Practices Protect Your Business in Divorce

Proper business accounting should be a priority for all business owners. But many people overlook the simple steps that can protect them from the risks involved in a divorce.

Businesses should have an accounting professional as part of the team whenever possible. Handling your accounting on your own can lead to costly mistakes and overlooked opportunities for protecting your assets.

Understanding the needs of your business helps you choose the right accounting professional and tools to manage it over time. You'll keep business expenses in check and be able to track them more efficiently and accurately.

The right accounting practices help you stay organized all year round. Business owners often fall behind only to struggle to catch up when it's time to file taxes or face a divorce and other legal issues.

Schedule periodic accounting reviews to ensure that all of your business assets are in order. When accounting needs fall through the cracks, you're more likely to experience losses when they assets become subject to equitable distribution.

Consulting with a skilled family law attorney helps you evaluate your business and the risks it may face in a divorce.

Managing your business assets and understanding the legal issues related to their ownership and division will help you choose the best legal strategy for your needs.