

Marital Asset Recovery: 'Wealth Managers' Assist Unscrupulous Men in Defrauding Their Wives

Wealthy men are cheating on their wives—with their accountants and lawyers. They carry on these affairs in exotic locales known for banking secrecy and regulations that make it possible to hide billions of dollars in marital assets.

January 24, 2018

By Edward H. Davis Jr., John Silbermann and Nyana Miller



Nyana Miller, John Silbermann, and Edward H. Davis Jr.

Wealthy men are cheating on their wives—with their accountants and lawyers. They carry on these affairs in exotic locales known for banking

secrecy and regulations that make it possible to hide billions of dollars in marital assets. Even the most financially sophisticated wives and their divorce lawyers are often unable to keep up with the growing asset protection industry and the ruthless men to whom they cater. Combating this trend, divorce lawyers and defrauded ex-wives have turned to lawyers who specialize in piercing the opaque world of offshore companies and trusts to recover assets from high net worth individuals and those who assist them.

The release of the “Panama Papers” and “Paradise Papers” exposed much of the “wealth management” industry and its clientele as co-conspirators in a high-stakes shell game to conceal trillions of dollars of assets from taxing authorities, corrupted government regimes, creditors and, increasingly, the clients’ own spouses. In “Capital Without Borders: Wealth Managers and the One Percent,” Brooke Harrington notes that “through wealth managers’ skillful use of tools such as trusts, foundations and corporations, the game of ‘now you see it, now you don’t’ can go on almost indefinitely ...”

Many firms now advertise “pre-divorce planning” services designed to transfer assets out of a spouse’s reach. These schemes may place marital assets into offshore companies and trusts in which the divorcing wife receives a one-half ownership interest, but no right to distributions. Then, while the ex-husband is drawing “consulting fees,” his ex-wife is handed a large year-end tax liability with no ability to pay it. The scheme concludes when the ex-husband disingenuously offers to buy the company interest back and pay the taxes—all at a fraction of what his ex-wife was entitled to receive.

In these divorce cases, trusts, companies and other entities maintained by the husband to hold assets should be primary subjects of inquiry. Legitimate estate and tax planning does exist and most practitioners in the field are honest brokers of a vital service. However, for the unscrupulous, “estate

planning” is but a euphemism to describe asset concealment to defraud unsuspecting wives and others. Once the seeds of marital discord have been sown, if the wife has not been involved in these transactions or communications, it is more than likely that the husband enlists the wealth management professionals to divest his wife from marital property. Divorce counsel should therefore explore the husband’s accounting and legal engagements, however brief or seemingly minor.

Individuals Enlisted in the Schemes Are Often Key to Successful Settlements

Men who engage in these schemes often fit a standard profile—narcissistic, with an inflated sense of self-importance and a complete lack of empathy. They are often highly intelligent and believe passionately that they are doing nothing wrong. They do not fight over money, for there is more than enough marital wealth for everyone to live comfortably. They engage in protracted litigation to exercise power over and to punish their ex-wives, to exert control over their children and to secure loyalty from their family members. However, because their schemes require trusted individuals to act as nominees for entities or accounts, these men often enlist friends and family members to carry out their asset concealment activities.

One such husband pursued refused to pay child support and to satisfy a judgment for property division for millions of dollars. He was pursued through two jurisdictions before he settled abroad where his conduct was essentially legally condoned. He showered his children with lavish gifts, and insisted that they come to visit him before he would pay for educational expenses and even regular dental cleanings. He threatened to miss college graduations and other milestones in his children’s lives before he would pay his ex-wife as ordered by the court. He was confident that he and his family

had squirreled away the marital wealth in an impenetrable offshore structure. However, by bringing claims against those that facilitated the scheme, which brought these seemingly more rational actors to the bargaining table, a significant global settlement was obtained.

The bottom line is that the world does not end at a country's borders. There are methods of pursuing offshore assets that are focused on flipping the leverage of the seemingly impenetrable offshore structure and forcing participants in the scheme to essentially "buy the judgment." Divorce lawyers should reach out to networks of specialized asset recovery lawyers for assistance in navigating the underworld of global asset protection schemes.

[Edward H. Davis Jr.](#) is a founding shareholder at **[Sequor Law](#)** who focuses his practice on the representation of individual, corporate and institutional victims of fraud throughout the world and executive director of ICC FraudNet. He may be reached at edavis@sequorlaw.com

[John Silbermann](#), an attorney at **[Sequor Law](#)**, has been a trial attorney since 1996, specializing in civil fraud prosecutions, business insolvencies, and asset- tracing and recovery litigation. He may be reached at jsilbermann@sequorlaw.com

[Nyana Miller](#) is an attorney at **[Sequor Law](#)** who focuses her practice on international asset recovery and financial fraud. She may be reached at nmiller@sequorlaw.com