

EPISODE 1411

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1411, financial infidelity, the cost of divorce, and what all spouses need to know about money.

“TC: What am I talking about when I say financial infidelity? It might be spending outside of our agreements that we've made about spending. It might be secret spending. It might be wasting money. It might be what I call sex, drugs, and rock and roll.”

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. A special episode today where we're going to talk about the deep and dark of money, when your spouse is committing financial infidelity, when you're thinking about getting a divorce, but you want to protect yourself financially first, when you're a stay-at-home parent or a stay-at-home spouse and need to learn more about the financial dealings in your marriage and not sure how to broach the subject.

Our guest today is Tracy Coenen. She's a forensic accountant who has been investigating fraud for more than 25 years. She started with a dream of one day being a prison warden, so she got a criminology degree. But then a class on financial crime schemes reminded her how much she loved detective work as a kid. So she continued her criminology degree, added accounting to it and economics, and sat for the CPA exam. Now, she is finding money in cases of corporate fraud, high-net-worth divorce, and other financial shenanigans, as she calls them.

How to know if your spouse is committing financial infidelity, what does that even mean? Important steps to take before you announce that you want to divorce and the bare financial minimum every person in a relationship should know about their money. Here's Tracy Coenen.

[INTERVIEW]

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TC: My whole deal this year is how many people can I help? How many people can I help this year and next year and the year after? I don't have to be cool to help people, right?

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FT: Tracy, you are so cool. You are So Money, and you're on the podcast. I am so grateful for your existence and the fact that you are also a late night social media owl because I posted frantically that I had a gap in the show, unexpectedly reached out to the community on Instagram, got flooded with offers to come on. I was like, "Who's an expert?" I need a money expert for the podcast, and I got a lot of people writing in. So thank you everybody.

But Tracy, you really caught my attention because it just happened that I was working on a piece about stay-at-home parenting and advice for parents that are not working out of the home, or I should say even virtually. Just not earning their own paycheck and how to create your own financial autonomy and independence in a marriage where you're not the breadwinner or the sole breadwinner. We'll get to that because you have so much to offer. You have so much to help us with. You are, 25 years, someone who has been investigating financial fraud.

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TC: That's right.

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FT: How does someone get into that field?

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TC: So for me, it was a little bit by accident. I went to college to get a criminology degree, and my career goal was to become a prison warden, and everyone –

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FT: What?

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TC: Yes. That's the reaction every single time because no one has ever met anyone who said, "My career goal is to become a prison warden," right?

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FT: In your mind, what was that job going to be like?

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TC: That job was going to be fascinating every day because back then and even now, I'm fascinated with the prison system, with the societies that are created within prisons, and how do you better the people who are there. How do you protect society, at the same time? There's like really complicated issues surrounding prisons, corrections. Does it correct anything? So that was where my passion was, and I knew that when I was in high school. So here I run off to get a criminology degree.

My sophomore year of the program, there was an elective offer that was only offered once every three or four years, and it was called financial crime investigation. I said, "Oh, that kind of sounds interesting. I'm going to take an elective now because if I don't take this now, I'll never get a chance to again." That's where I learned about doing forensic accounting and fraud investigations, and I was like hooked. So I said, "Okay, I'm going to take an accounting course, see how I do." Of course, I aced it, and we were off to the races, and it's sort of been one-track mind ever since.

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FT: What year was that?

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TC: Oh, gosh. I'm so old. Let's see. So that course would have been in 1991 or '92. So we didn't talk about forensic accounting then. There wasn't – They didn't call it forensic accounting.

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FT: You were so ahead of it because, I mean, the thing is I don't think white-collar crime is new. But the fact that we have – It has come to our attention in like the Enrons of the world and the Tycos of the world. That's why I got into personal finance and financial reporting, to be honest, Tracy. Like I wasn't interested in unveiling these crimes, but I was interested in reporting on them and understanding them and then like sort of distilling it to everyday people, like here's what's happening at the high level, corporate level.

I feel like personal finance, business news became front page news because of corporate white-collar crime, and you're in the thick of it, probably researching and investigating. What were some of the craziest things that you've investigated?

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TC: I get questions like that all the time. To me, they're not that crazy, right? The schemes are kind of all the same. What fascinates me more than the specifics of a particular crime is the psychology behind it. Who has to be deceived in the process? So I think the divorce work that I do sort of strikes a chord with me because that is the ultimate deceit, right? That one person that you promise to be true to forever, and then there was financial infidelity or other things like that.

I've only had one case in my life that I couldn't crack. We know for sure that the CEO was stealing, just because of the company was selling like crazy, never had any money, couldn't

figure out where the money was going. We spent months and could not figure out what he was doing to cook the books. So that's probably the craziest thing I've ever investigated for that very reason. Like, "Wait a second. Why can't I crack this one?"

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FT: Oh, man.

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TC: Right. So I come on your show and talk about my failures.

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FT: I love it. I love the transparency. Well, Bernie Madoff, okay, that was – I mean, talk about like more recent crimes of massive scale. That was like a \$50 billion swindle, which left many people just losing their entire life savings. Some of them who've come on this show and talked about it, how life has been since. How do people get away with this stuff for so long?

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TC: So I think they get away with it for so long because people aren't looking for it, right? We trust people. In order for you to have a business with employees, you have to entrust them with things. You have to assume they're doing their job. You have to give them authority and independence. If you're not a money wizard, then you're probably not paying as close attention as you could.

However, I will say this. Especially in small businesses, there is a lack of oversight. So you've got a small business. You've got 10 employees. You're the owner. My best piece of advice and the one that goes untaken so often is look at your bank statements every month. I know you have an accounting department or an accounting person, but look at your bank statement every month and make sure your accounting employees know you're looking at the bank statement because that is part of deterring them from committing fraud. If they know you are actively

involved, they're less likely to steal. If you really are actively involved, if something goes awry in the bank statement, you're probably going to see it.

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FT: That's great advice. Well, and as you're saying, this totally applies to marriages, if we think of marriage as a business or a union or a partnership. Break it down for us in a marriage. Okay. So I'm going to start wide. I'm going to start with everybody who's in a relationship, here's what you need to know in order to protect yourself in the event that there may be some financial infidelity going on. Then we'll get into specific relationships, where maybe one person isn't working, isn't earning.

I tend to think that that person sort of turns a blind eye. Or like you said, we give the person who's the Chief Financial Officer the autonomy. So we don't like look at the statements. We don't ask questions. It's not just that we're not earning, we're just completely shutting ourselves out of the financial picture, putting a lot of faith and trust in another person. How can that go wrong? Well, maybe you'll tell us.

But tell us a little bit about how what you have seen as a divorce expert, what happens in a marriage when there is financial infidelity? What's the like hindsight? In hindsight, the advice that you would give?

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TC: Right. Everyone who gets into marriage makes a business decision about how the finances are going to be handled. Your marriage isn't a business transaction, but there is a business side to it. Most times, the families choose that one spouse or the other is going to be responsible for paying the bills and keeping track of the money. It's a little bit easier than both being actively involved and then saying, "Well, did you pay that bill? Did you pay that bill? Who's got what?"

So it's super common that one person is responsible for the money, and the other person trusts their spouse. Of course, that opens the door for that financial infidelity. What am I talking about when I say financial infidelity? It might be spending outside of our agreements that we've made

about spending. It might be secret spending. It might be wasting money. It might be what I call sex, drugs, and rock and roll. Even the white lies, the cover ups about what's going on, I throw that all under financial infidelity.

It probably usually starts small, right? My husband doesn't like it that I go get a coffee at the corner coffee shop every morning, but I do it here and there. He doesn't notice. Pretty soon, I do it every day. He still doesn't notice, right? That's much like corporate fraud, where it typically starts small. Someone finds a gap in the system, exploits it, realizes no one has noticed, and then the doors open to something bigger.

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FT: It's so true. I see it on TikTok a lot. I don't know what is going on with Gen Z, y'all. But the advice about money in a marriage on TikTok, oh, I want to burn it. I want to burn it down because I see these things trending, like a woman walking into the house with her shopping bags all discreet, like hiding, tiptoeing up the stairs. I got to hide this before my husband comes home. Or stay-at-home moms and stay-at-home dads.

There was one in particular. There's one video of a young couple, a young woman. This is on video. She's asking her boyfriend, "Would it be okay if I become a stay-at-home mom when we get married," asking for permission. He was like, "Oh, honey, of course. Well, you don't pay for anything already." Like so demeaning and then he's like, "I'll take care of you. I'll always work hard." I just want to like knock some sense into the younger generation too about the realities of courtship and marriage and like how money is so integral. If you're not – Okay. It's one thing if you don't want to be the one working. That's your choice, but don't put your head in the sand either. What's your advice for relationships, couples where there's one person who's choosing not to work?

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TC: This happens a lot, right? One person stays at home to raise the kids. It's very typical. So I give my two biggest pieces of advice to the stay-at-home. One is always have your own money. Now, in an ideal situation, that means that you and your spouse have agreed that you have a

certain amount of money that is yours to put in an account in your name only and spend as you choose. That would be ideal. I realized there are some situations, possibly abusive situations, where that wouldn't be "allowed" to happen. In that case, we might be in a situation where someone is trying to salt away some money little by little quietly.

I do think that having your own money is the most important thing ever. Here's why. Number one, you need to be able to make some autonomous spending decisions. So if that means you want to go get your nails done once a month without someone complaining at you about it, I think you should be able to do that, assuming your budget allows, right? It's also important because if the marriage ever goes south, you need to have a source of money to pay an attorney to get the divorce filed, to potentially go get an apartment of your own and feed yourself.

One of the most heartbreaking things I see is when the moneyed spouse, the one who is bringing in the money, cuts off the non-earning spouse at the time of divorce and says, "Go figure it out. Figure out how you're going to pay for an attorney. Figure out how you're going to pay for a place to live and put food on your own table because I'm not supporting you, unless a judge says I have to." Then I don't ever want anyone to feel trapped in a marriage because they don't have the resources to be able to go out and hire that attorney and find a place to live and feed themselves.

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FT: Oh, my gosh. I just got an email from a listener who is in the process of a divorce. It didn't work during her marriage. Her husband makes a huge salary. I mean, he is making almost a million dollars a year. Fortunately, she's making something because she was someone who during her marriage got her master's, was slowly like chipping away at creating a career, makes 30,000 a year. She not only has everything you outlined, which is like, "I got to pay for my own apartment. I got all these –" She has debt. He makes 10 times. No, actually 30 times her salary.

So talk a little bit about that, the dangers of accumulating debt in a relationship when you are not a working spouse, and then you get divorced. What happens?

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FT: You get divorced, and I tell everyone, start thinking about everything you own and everything you owe as being split down the middle because that's kind of the point where judges start with, sure, the laws vary by state, and attorneys right now are going, "Oh, my God. How can you say that?" Let's just start by that as the starting point that everything's going to be 50-50.

But judges adjust, right? They can say, "Oh, gosh. He has far more earning capacity, so he will be able to pay more of the debts. We're going to allocate more to him." Or, "She has a much lower earning capacity." I've been in cases where they're getting involved, and they're getting divorced in their late 50s. You've got a woman who hasn't had a career in 30 years, and the judge says, "Listen, she is not going to have the opportunity to have money saved for retirement. So that retirement account that you two have, I'm not splitting it 50-50. I'm going to give her 75% of it because she can't accumulate the way he will be able to going forward."

So there are opportunities to negotiate with that debt. Have a judge consider other factors. But at the end of the day, I don't want to see people going into unnecessary debt and taking that risk.

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FT: Right. Yeah. You're putting a lot in the hands of a judge. Like you're hoping that this judge is going to – I mean, not all judges are going to vote in your favor.

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TC: Reasonable.

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FT: Or reasonable. Then, by the way, that takes time and more legal bills and all of the things. Divorce is expensive. Again, more reason to have your own money. Do you recommend that for

the non-working spouse to receive like an allocation of the working spouse's income every paycheck or every month? Because, let's be honest, the work that they're doing in the home has value, and it is supporting the household and is why the working spouse can even work in the first place.

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TC: So you don't know this, Farnoosh, but I am in the process of creating a product right now called the Marriage Money Guide. I work in this divorce space. I came out earlier this year with the Divorce Money Guide to help people as they're trying to navigate the financial piece of their divorce. But I said, "Wait a second. What an opportunity to teach people on the front end how to set up their finances? What are their options?"

So we walk through what are your options, and we talk about just that. If you're a stay-at-home person who's not earning your own income, talk with your spouse about, okay, all our money is going to go into a joint account maybe. We're going to pay bills out of there, but I would like to have some separate money in a separate account that I can use for my discretionary spending. That might be lunches. That might be clothing, whatever that may be, maybe certain hobbies, things like that.

I also talk about how to talk about these kinds of things, how to negotiate this between the two of you. So we have a section on the communication part of it. A great example is when the guys find out how much it costs to get a manicure and a pedicure, they lose their minds, right? They're like, "What? And you want to go how often?" You know what, though? The guys also have their own expensive hobbies. Oh, I homebrew the beer, or I like to race silly motorcycles on the weekend, right? I mean, it's all a tradeoff. So let's negotiate about these things, and each have money of our own for our own hobbies and interests and things like that.

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FT: I like that. That's a great way to put it. By the way, this money isn't just for her hobbies. It's for emergencies. Like she, frankly, wants to start hiring an attorney to look at the tax documents because she's kind of nervous about that and trying to prepare for divorce. I've written about

this. Like there are certain financial moves that you would want to make before you even bring up the idea of a divorce.

If you think your marriage is headed for divorce, but no one's really brought up the D word yet, what should the non-working spouse be working on? I would say getting your own credit card, just making sure that you have like your own financial profile and some money. Your ducks lined up before you're like, "Okay, we need to get divorced," right? There's a lot that has to happen before you announce that.

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TC: I talk a lot about getting that credit card in your name only before anyone thinks that divorce is on the horizon, especially if you don't have a job of your own. You need to get that credit card while you have that credit profile that reflects your spouse, while you have the earnings of your spouse that help you qualify for that credit card. Absolutely, so very important.

I talk a lot about running a credit report on yourself periodically. There are websites out there that let you do it for free, as often as you want. Some of them are through your banks. There's other commercially available free websites. It doesn't impact your credit score at all to run that credit report on yourself. But it's you keeping tabs on what credit is tied to your name.

I cannot tell you how many divorces I've been involved in, where one spouse has said, "I didn't know she took out a home equity line of credit on her house. I thought we had like \$200,000 worth of equity in our house. We're getting divorced now, and I find out we've got \$150,000 home equity line of credit that is maxed out, and nobody can tell me what the money was spent on." Yeah.

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FT: Wow. I remember I did a story a long time ago. I think it was for Oprah Magazine about at least know this. For all spouses in relationships, like as you said very early on in our conversation, whether you work or not, there's a gravitational pull towards one person in the relationship to take on a lot of money choices and decisions and management. The person

who's not that active should at least know the following things. I mean, that was like one of them. Like you should know what the debts are or the lines of credits.

But what are some other things? I remember talking to experts about just do your tax return. Don't just sign it because your spouse worked with the accountant, and everything's good, and you're getting this big refund, and you don't want to contest it. But like actually look at the tax report, return. I don't like doing that. But at least look at certain line items to make sure that things are accurate.

Whether it's paperwork or you mentioned credit report, like what are some other financials that individuals in relationships should really be on top of, no matter what their role is in the finances?

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TC: Look at your bank and credit card statements every month, right? Get that online access. Obviously, if you only have legal access to accounts that are in your name, if for some reason your name is not on an account, then I would be talking with my spouse to say, "I'd like to see the statements. I'd like online access with your permission to see what's going on." Ideally, your name should be on the accounts as well, but sometimes it's not. So the bank statements, I agree with you on the tax returns, the credit reports.

So if someone is potentially thinking about a divorce situation, I always say the four big things you do. Get all your bank statements and credit card statements, get all your tax returns, get a credit card, and get your credit report, right? All those documents you get, secure them all. So whatever you – If you have paper documents in your house, in a filing cabinet drawer, run off. Get copies of them. Secure them off site with a friend, trusted family member, in a safe deposit box, if that's where it needs to go. I don't care where you put it. Make sure they're secure.

If you do it all digital like I do, then you download all the documents you can from your bank, website, etc. and save them somewhere safe like Dropbox. Huge tip, if you are thinking in the direction of divorce, is getting a brand new email address, an email address that your spouse doesn't know about, couldn't possibly have the password to because you're going to make a

really good password. Most importantly, that email address has never been logged into any device that could be at your house, not the old laptop, not the old iPad, not the old phone that is chucked in a closet somewhere, right?

Have you ever like – I did this a couple months ago. I came across a really old phone in a closet of mine, turned it on. It immediately connected to Wi-Fi and downloaded like all my current emails. I'm like, "Oh, no, no, no." See, this is why we get a brand new email address. So that could never happen to you, and your privacy could not be compromised.

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FT: Tell me some of the extra risks or the heightened risks, financial risks for individuals who are stay-at-home parents. What I'm hearing is that it can be a little bit more work for that stay-at-home parent to be involved and to be financially secure in that marriage. So just from your experience, what are some of the things to just watch out for? If this is something that you're considering, if this is the role that you want to have in your marriage, what are the potentially higher risks for you?

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TC: The biggest risk you have is lack of information because you don't know what you don't know. So you might say, "Hey, I know you're going to take care of the bills, but I still want to see those account statements every month." That's all fine and well for the accounts that you know about. But what about the accounts that you might not know about even existing, right? You've never banked at Wells Fargo before, so you're not even thinking about Wells Fargo Bank, but there happens to be an account there. So I think that's the greatest risk.

Now, the way that you manage that risk is by being involved. So when you're looking at that bank statement, here's what I find is that people who have secret accounts and are trying to hide money or do something shady, they usually make mistakes. They will make a transfer to that Wells Fargo account that pops up on your bank statement as transferred to Wells Fargo. Then you would say, "Well, wait a second. We don't do business as well at Wells Fargo. What's

this for?" So there are often mistakes that are made, or a check might get written out of a wrong account. So just by paying close attention, you can catch some of these things.

Think about the family where we have a Citibank credit card. So I look at the bank statement every month, and I see, yup, the Citibank credit card is being paid. One technique I teach to my customers is count up the number of payments to that credit card over a year's time. Are there 12 payments? Or are there more than that? What if you saw there were 18 payments to Citibank over a year? What would that tell you? Most people say, "I don't know what that would tell me." Well, it would tell me that there's probably a second Citibank credit card that you never knew about, right?

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FT: How do you even bring this up to your spouse? I think that what – This is scary for a lot of spouses, I would imagine. Like to discover this, we never want to think that our spouse is being financially fraudulent, untrustworthy, all that. So like how does this even – How do you recommend? What's the next step?

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TC: So if you found something like this, if you found these Citibank payments, I would go right to Citibank, assuming your name is on accounts, and get as much information as you can from them, without actually asking your spouse first because, obviously, asking the spouse can create conflict. If you have a really bad feeling in your gut about this, like let's say you've had other suspicions about behavior from your spouse, my best advice is to gather as much information as you can before you raise the question.

So again, that's going back to getting as many statements as you can and securing them. Because what I see a lot of times is once the question is raised, all of a sudden, you have been removed from that bank account. Now, you can't even get any of the statements without going and getting a subpoena to the bank, right? So gather as much information as you can before you start asking the questions.

To back it up just a little bit, there are people who are in a position of saying, “My spouse handles all the finances, and I don't even have access to see. You're telling me get information and look at all the stuff, but I don't even have the stuff. What do I do?” One really simple technique that I suggest using is saying to your spouse, “I'm really concerned about what might happen if something happens to you. I don't know where our money is. I don't know how much money is in the account. I don't know. Could I make the mortgage payment? Which account when I make the mortgage payment out? And the last thing I want if you're in a coma or dead is for me to be worrying about am I able to pay our bills.” That's often a good non-confrontational way to start getting information.

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FT: Yes. I'm sure we all have an experience in our immediate family or friendships where that happens. I know my mom, one of her dear girlfriends' husbands suddenly passes away, three kids, huge mortgage. She's not working. She didn't know even how to write a check to the mortgage company. Thankfully, he had a life insurance. So she's able to like eventually address all these outstanding financial bills and carry on with her life financially. But it was really scary for her, and I think it was a wakeup call to a lot of the other women in her friend group to go to their spouses and say, “Hey, we don't want to have that happen to us, right? So let's –” Unfortunately, using a very, very difficult and sad example to inspire change in your own relationship.

My mom, years ago, that was the exact sentence that she came to my father with. Like they are in a very traditional marriage. My dad assumed a lot of the control of the finances. But my mom was really insistent and said, “If something happens to you, I don't even know what to do.” So he got it, and they brought her into a lot of the conversations and the bank accounts and all the things. Everything's transparent now.

Would you say like when you started in the '90s versus now – Fortunately, we have technology that can create a lot of the transparencies that you're pushing for in marriages to allow for this financial openness.

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TC: I agree. There is a lot more openness. There's a lot better in terms of paper trails of money, just the fact that a lot of transactions are done electronically. So it shows up on your bank statement as electric bill payment to your electric company versus, in the old days, it was a statement that said check number 2035 in a dollar amount, and then you had to say to the bank, "Can I get a copy of that check?" They say, "Sure. For \$10, we'll give you a copy of that check," right? Just totally cumbersome.

The electronic transactions, the availability of stuff online does make getting information a lot easier. So that is something that I'm grateful for in my line of work.

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FT: Tracy, thank you so much for all this important information. We really kind of zigzagged, and you were very –

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TC: We covered a lot of ground.

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FT: We covered a lot of ground. It's an important topic. Whatever kind of marriage you have, whatever stage you are in your relationship, it's always, I think, the bottom line, the takeaway here is don't put your head in the sand. Please ask the questions. Know where everything is. Don't be intimidated. I think that's part of it, too. When there's a person who's making less or no money or has deferred a lot of the financial responsibilities to one partner, you want to give that person autonomy, and you want to show you have trust. But you got to be realistic. You got to get to know things.

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TC: There's also shame and embarrassment surrounding the concept of, A, I'm not earning money because I think that we get certain messages about that. But also, if you're the person who isn't involved in keeping track of the money, there's sometimes shame there as well. Oh, gosh. How did I let this get away for me? How come I don't know what's been going on?

So I do a lot of talking to people about, you know what, if you want to be informed, then get informed today. Don't let your shame or your embarrassment hold you back from that because there are a lot of people in the same position as you. There are so many people who just don't know what's going on with their family's money. It's common. Let's just start making a change.

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FT: Yeah. You are entitled to know all of it. Tracy Coenen, thank you so much. We appreciate you, and I'll be looking for that kit. Please let me know when you've got that. Is it the money marriage kit that you're putting together?

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TC: The Marriage Money Guide.

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FT: Marriage Money Guide. I want to share that with our audience when you have it, so please.

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TC: November is when it'll be out.

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FT: All right, great.

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TC: Awesome.

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FT: Thank you.

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TC: Well, thank you for having me.

[END OF INTERVIEW]

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FT: Thanks so much to Tracy for joining us. If you'd like her Divorce Money Guide, go to divorcemoneyguide.com. I'll put that link in our episode notes, as well as where you can learn more about Tracy. Thanks for tuning in, everyone. I'll see you back here on Wednesday, and I hope your day is So Money.

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