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Facebook Divorce: Will Facebook IPO Create Surge Of Silicon Valley Divorces?

By: Natasha Burton Posted: 06/02/2012

The idea that Facebook "causes" divorce has been widely reported, with fear-mongering research decrying that 20 percent of splits in the United States – and roughly 33 percent in the United Kingdom -- involve the social network.

Now, Facebook may be driving divorce in a new way, and it has nothing to do with flirtatious wall postings, secret messaging of high school flames or even using the site itself. The new potential trigger for marital discord? Facebook's IPO.

When it went public on May 18, Facebook reportedly created 850 new millionaires, 600 of whom are current Facebook employees. According to Palo Alto, Calif.-based family lawyer Steve Cone, these tech professionals might find themselves heading for divorce court. "I expect a similar wave shortly after Facebook goes public," he told the *Financial Times* before the initial public offering, noting that a slew of splits followed other tech IPOs -- specifically, Cisco's and Google's.

The tie between not enough money and marriage troubles has been explored extensively over the years -- researchers have shown that finances are the biggest source of couples' stress and that fights about money can increase the odds of divorce-- but can an influx of cash also push a couple apart?

Because experts disagree, the answer is -- like Facebook's relationship status option -- complicated.

Cone told HuffPost Divorce that his assertion about IPO-sparked splits was based on his experiences in Silicon Valley. Now with the law firm Di Maria & Cone, he said he has handled approximately 600 dot-com divorces since the mid-1990s and has consulted with numerous people who were considering divorce or preparing premarital and post-marital agreements. Overall, people tend to split when they have the means to do so, he said. "It's usually a sign of better economic times when divorces pick up."

This idea is certainly supported by what happened in 2007, when the then-booming New York real estate market produced a string of divorces, *The New York Times* reported. Those couples could split without compromising their lifestyles; they could sell their home for top value and walk away with sizable chunks of change.

Nobel Prize-winning economist Dr. Gary Becker told the *Times* that married couples "who make more money than they ever expected are vulnerable to divorce [because] they realize that they are less financially dependent on each other and that they might have chosen different spouses if they had more choices at the time."

Whether it's a positive event, like instant wealth, or a negative one, like the death of a child, "any sudden drastic change in a person's life tends to disrupt the normalcy of a relationship," said Ken Altshuler, president of the American Academy of Matrimonial Lawyers. "I do think we see a lot of cases where people are going along just fine until, all of a sudden, they have a lot of money." Altshuler, who practices at Portland, Maine's Childs, Rundlett, Fifield, Shumway & Altshuler, is also a HuffPost blogger.

Cone agreed, noting how money can be transformative. "Somebody else can look awfully appealing when you're in the flush of success," he said. "Especially for the person who is *getting* the wealth, there are also more opportunities to cheat and find a new love."

In fact, Cone saw this unfold firsthand when a client sold an invention and made \$40 million. "He got a divorce because he met a woman in an escort service when he was in France at a seminar," Cone recalled. "This guy was willing to give up \$20 million to be able to wake up to somebody new in the morning."

Altshuler confirmed that, as a lawyer, he, too, has witnessed the stereotype of an instantly wealthy man "trading up" for a younger, prettier spouse.

'MONEY SOLVES A LOT OF PROBLEMS'

Unlike Altshuler, Cone and Becker, other divorce and financial experts don't think that a monetary bonus can *cause* a divorce. Rather, they see new money as the catalyst for taking action to end an already crumbling marriage.

Divorce attorney Robert S. Cohen, who has handled high-profile cases for New York Mayor Michael Bloomberg and model-actress Christie Brinkley, among others, said the main reason that couples split -- other than infidelity -- is financial struggles, not *too much* money.

While Cohen acknowledged that new challenges might befall a couple who comes into unexpected wealth (in terms of how the money is spent or what lifestyle changes it inspires), he has seen that an "infusion of money" -- from, say, an IPO -- can help a marriage.

"Money solves a lot of problems," said Cohen, who practices with New York-based Cohen Clair Greifer & Thorpe LLP. "People with windfalls can get rid of the nagging issues that they have. They can afford a marriage therapist. They can do all sorts of things to make their lives better, like get a bigger house where they don't have to share a bathroom."

Robert Kamin, a partner at San Francisco's Heath-Newton who has been practicing family law for the past five years, agreed with Cohen on the role that money typically plays in divorce. "If spouses want to remain married and believe in their marriage, they can often work through their financial issues," he said. "In my experience, money is not the main reason married couples decide to divorce. It is when spouses are already in the process of dissolving their marriage -- that's when the claws really come out around the issue of money."

Kamin said he's seen IPO management become a greater issue over the past two years among his clients, some of whom are employees at tech companies or married to them. But he doesn't credit the IPOs themselves with sparking a wave of divorces.

"In fact, an IPO has the potential to create great joy in a marriage as material wealth is realized," he said.

CAPTURING THE WINDFALL

Scott Hankins, an assistant professor at the University of Kentucky's College of Public Health who has studied the effects of income shocks (such as lottery winnings) on marriage, said that when looking at the possibility of IPO-induced divorce, it's important to consider not only the divorce rate after an IPO, but also the divorce rate just before a company goes public -- which he thinks would be quite low, as couples would intentionally delay the proceedings for financial reasons.

"It is hard for me to imagine that a financial windfall would make someone unhappy and therefore cause a divorce," Hankins said. "Facebook spouses likely predicted that an IPO would occur. Forward-looking spouses might wait [to file for divorce] until after the IPO to capture some of the windfall."

Timing can be especially important for people in the tech world because of the role IPOs play in determining their net worth.

"Because of the large number of California residents who are, one, employed by tech companies that have yet to go public and, two, receive a significant portion of their compensation the form of a stock interest -- that is often made real only upon the IPO -- IPOs are incredibly significant to the accumulation of marital assets in California, and thus to community-property law and divorce," Kamin said.

Under California divorce law, assets acquired between the date of marriage and the date of separation are typically considered community property. Before an IPO, Kamin said, it's far more difficult to assess the value of the stock that company employees receive and thus how much wealth there is to divide.

Couples contemplating a split could thus benefit from waiting until after a company in which they've invested goes public as the financial aspects of the divorce should proceed more smoothly. (In theory, waiting might also be detrimental if a stock price plummets post-IPO and the couple is left splitting far less money than they thought they had.)

Because an IPO clarifies a couple's financial situation, "proactively delaying settlement until an IPO occurs is a common strategic move for either the employee spouse or non-employee spouse, depending on the company in question and the predicted value of the stock upon the IPO event," Kamin said.

While Steve Cone's prediction in the *Financial Times* -- that we'll see a slew of post-Facebook-IPO divorces -- could indeed come true, money itself won't necessarily be the culprit. No matter a couple's financial situation, the bottom line is this, said Robert Cohen: "People who don't like each other don't stay married."