

Trust Structures Under Fire: What High-Net-Worth Divorce Means for Advisers

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What began as a high-asset marital dissolution between John and Laura Overdeck has transformed into a wide-ranging challenge to modern trust planning and the professionals who support it. The litigation now reaches beyond the parties' marriage and calls into question long-held assumptions about the durability of "irrevocable" trusts—particularly when they are funded during the marriage with assistance from lawyers, trustees, or corporate personnel.

Regardless of where the facts ultimately fall, the case is already functioning as a bellwether. It forces practitioners, wealth managers, and corporate stakeholders to confront a reality that has been developing quietly for years: in today's financial landscape, trust structures and corporate entities are no longer insulated from matrimonial disputes merely because they were designed to be.

Background

According to the pleadings, Laura Overdeck alleges that billions in marital assets were transferred into a series of Wyoming trusts with assistance from Seward & Kissel and, allegedly, certain Two Sigma employees. Her proposed amended complaint adds claims for fraudulent conveyance, aiding and abetting breach of fiduciary duty, civil conspiracy, and professional negligence tied to what she asserts was a deliberate effort to "divorce-proof" assets.

If the amendment is granted, the litigation expands dramatically. It becomes not just a battle over distribution, but a test of how far courts may go in scrutinizing complex trust structures created during the marriage.

Why High-Net-Worth Divorce Has Escaped the Bounds of Matrimonial Court

For decades, matrimonial courts were the default arena for resolving marital property issues. That model worked when most marital estates consisted of real estate, traditional investments, and business interests that were relatively easy to value.

That world is gone. Modern high-net-worth estates are built from layered LLCs, private-equity, and hedge-fund interests, carried interest, offshore vehicles, and sophisticated donor-advised and trust networks. Matrimonial courts simply do not have the jurisdictional tools to penetrate these frameworks.

The Limits of the Matrimonial Forum

Matrimonial courts cannot:

- compel discovery from non-party trustees, law firms, or corporate insiders

- adjudicate claims for professional negligence or fraud
- award damages against third parties
- unwind complex asset-protection strategies

Their jurisdiction is confined to the spouses and the property they can see.

The Turn to Parallel Civil and Trust Litigation

Ultra-wealthy spouses increasingly turn to civil courts because they offer:

- extensive document discovery
- depositions of advisers and corporate personnel
- forensic transfer analysis
- fraud-based claims are unavailable in matrimonial court
- access to internal corporate records and communications

Civil litigation becomes the pressure point — often the only means to learn where assets went and who helped move them.

The Unique Sensitivity of Business Interests

Hedge-fund stakes, founder shares, carried interest, and private-equity interests are typically:

- illiquid
- difficult to value
- highly confidential
- nested within multiple tiers of entities

When a spouse alleges that such interests were transferred into trusts during the marriage with help from insiders or advisers, courts have shown increasing willingness to probe deeply.

In the Overdeck matter, even limited survival of Laura's claims could trigger unprecedented discovery into Two Sigma's valuations, communications, and internal planning. That level of inquiry into a prominent financial institution — emanating from of a divorce — is extraordinary.

Does This Case “Upend” Trust Law? Not Exactly — But It Does Move the Needle

John Overdeck argues that permitting these claims would “turn the trust and estate world on its head.” The core architecture of trust law is not in danger. Trusts funded with separate property and managed by independent fiduciaries remain secure.

What is threatened is a set of assumptions that practitioners have leaned on for decades: that an irrevocable trust funded during marriage, even with marital assets, is structurally insulated from later attack.

Courts have always possessed the authority to scrutinize transfers made to diminish a spouse's property rights. They have simply exercised that authority sparingly — until now.

What Could Now Be Fair Game

If the proposed claims proceed, the litigation may reach:

- communications among trustees, counsel, and corporate personnel
- the timing and purpose of trust creation
- the source of funds used to capitalize the trusts
- any marital discord surrounding the transfers
- the role of advisers in facilitating asset migration

This is precisely the scrutiny many asset-protection strategies have been designed to avoid.

Likely Litigation Path if Amendment Is Allowed

Significant Discovery Directed at Two Sigma

Even as a non-party, Two Sigma could be compelled to produce:

- valuation materials
- communications with trust counsel
- documentation relating to trust funding
- internal compliance or governance communications

For any major financial institution, that type of probing discovery is disruptive and potentially reputationally damaging.

Potential Recharacterization of the Trusts

A court could determine that the trusts:

- were funded with marital property
- were established to reduce the marital estate
- constitute fraudulent conveyances

That does not rewrite trust law; it applies longstanding equitable doctrine to new financial realities.

The Practical Outcome: Settlement

The combination of business risk, broad discovery, and corporate exposure makes settlement the most probable resolution. But even a confidential settlement will influence future trust planning by high-net-worth families and their advisers.

Why This Trend Is Accelerating in Modern High-Net-Worth Divorce

Complex Assets Have Outpaced the Traditional System

Marital estates today include:

- private-equity and hedge-fund interests
- multi-tiered partnerships
- offshore entities
- donor-advised funds
- family-office holdings

- extensive trust structures

These assets are built for opacity. Matrimonial courts were not.

Civil Courts Provide the Necessary Tools

Civil litigation allows:

- subpoenas to third parties
- depositions of advisers and insiders
- damages theories
- forensic tracing
- document production far beyond matrimonial limits

Courts Are Less Willing to Accept Trust Structures at Face Value

Judges increasingly ask:

- Who really controls the trust
- Was marital money used to fund it
- Were professionals involved in insulating assets
- Was the structure created in anticipation of marital discord

These questions now shape litigation strategy.

The Broader Impact: A New Paradigm in High-Net-Worth Divorce

The Overdeck litigation signals a systemic shift.

More Aggressive Challenges to Marital-Period Trusts

Courts will scrutinize:

- funding sources
- timing
- retained control
- professional involvement

Heightened Exposure for Advisers

Law firms, trustees, and family-office personnel may face liability for their roles in asset movement — something historically rare.

More Conservative Trust Planning

Expect:

- explicit spousal consents

- prenups and postnups addressing trusts
- avoidance of marital-funded transfers
- earlier and cleaner planning

Greater Corporate Entanglement

Corporations employing wealthy principals should anticipate subpoenas, discovery burdens, and reputational exposure.

Parallel Litigation as the New Normal

Matrimonial actions will increasingly run alongside:

- trust litigation
- fraudulent-transfer suits
- professional-negligence claims
- valuation disputes

Conclusion

This case is far larger than a single marital dispute. It sits at the crossroads of modern wealth planning, trust law, corporate governance, and matrimonial litigation. Whether Laura Overdeck's claims ultimately prevail, her legal strategy reflects a new reality: spouses are no longer confined to matrimonial court, and courts are increasingly willing to look behind trust structures when significant marital assets may have been moved out of reach.

The message for planners, trustees, and corporate advisers is unmistakable: trusts funded during a marriage with marital assets — and the professionals who touched those transfers—are not beyond judicial reach.