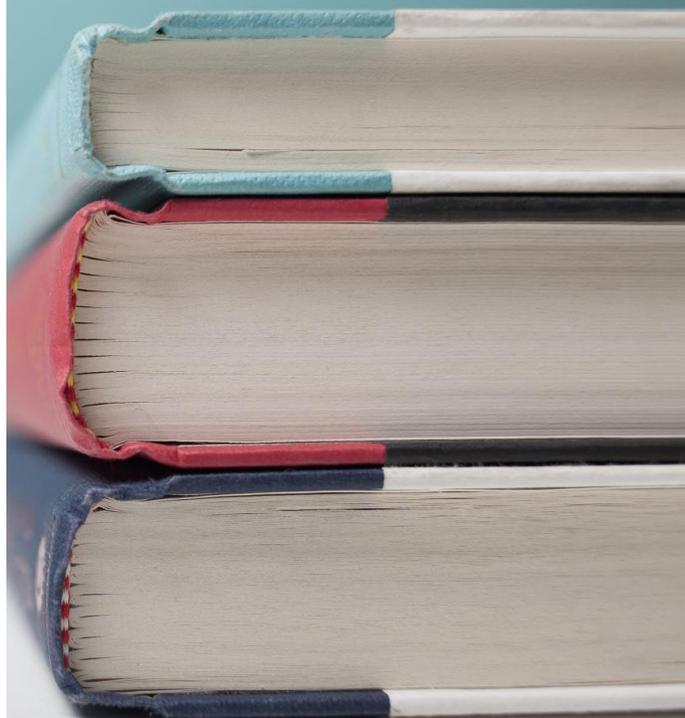


Everything You Need To Know About Filing Bankruptcy.



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Everything You Need To Know About Filing Bankruptcy

The word bankruptcy has a lot of stigma associated with it. People feel like they are a complete failure if they file. When I talk to clients they have a lot of misconceptions about what bankruptcy does and in particular how it impacts you.

For most clients, they end up in a much better financial position after bankruptcy. This includes more disposable income and a better credit score.

This is meant to be a simple primer to give you the big picture of understanding of Bankruptcy.

For individuals and small business, there are really two types of bankruptcy: A chapter 13 bankruptcy and a chapter 7 bankruptcy.

Chapter 13 Bankruptcy

A chapter 13 bankruptcy is known as a restructuring and allows you to pay back your debt at a more affordable rate. Most people who file a chapter 13 usually have one or more of the following issues:

- Behind on their mortgage and want to keep their home.
- Behind on their vehicle and want to keep it.
- Are facing a garnishment from the IRS and want to repay their IRS debt.

Usually, when a person files a Chapter 13 it's because they have "secured" debt that they are worried about losing.

A chapter 13 usually lasts between three to five years. Generally, the shorter your plan the more expensive the monthly trustee payment is.

The costs for chapter 13.

The fees are set by the Court and depend on what county/jurisdiction you are in but usually are between \$3500 to \$4000. The good news is, this fee is paid out over the duration over your plan. So if you are in a five year plan, you would get to spread the fees out over five years, as opposed to having to pay the entire fee up front.

Chapter 7 Bankruptcy

A chapter 7 bankruptcy is known as a liquidation and allows you to get rid of your debt. Most people who file a chapter 7 usually have one or more of the following issues:

- Current on their home but have a large amount of credit card debt.
- Are facing lawsuits/litigation and cannot afford to defend it.
- Have a lot of unsecured debt and have experienced a drop in income or reduction in income.

The chapter 7 typically takes about 100 days and at the end of that you receive your discharge and are debt free.

In order to qualify for a chapter 7 you must pass the means test, which looks at your income and expenses. If your income is too high, you won't pass the means test. You could still file a chapter 13 even if you don't qualify for a Chapter 7.

The cost for a chapter 7 bankruptcy.

Unlike the chapter 13, the fees for a chapter 7 are between you and your attorney. The cost is going to depend on how complicated your case is. A simple case will range from \$2,000 to \$2,500 and the more complicated cases (business cases, unique litigation), will range from \$3,000 to \$6,000.

Most people who read about chapter 7's are always concerned with having to give up assets. For 99% of my clients, they never have to give up an asset because we are able to use state or sometimes federal exemptions to protect 100% of their property. This is also why it's important to visit with an attorney to make sure your property can be protected.

The information you will need to file your bankruptcy

In order to file bankruptcy, you are required to provide certain documents. The most common documents are listed below:

1. Proof of income.

Whether you file a chapter 13 or chapter 7, you have to provide your income. The court requires each debtor to file a means test, which captures your prior 6 months income. So if you are filing in October, you would need to list your income from April through September. If you are an employee, you simply need to provide your last 6 months paystubs.

If you are self-employed you would provide a simple profit and loss statement. Don't worry if you are unfamiliar with preparing a profit and loss statement our office can help you with this.

Other income. If you receive unemployment, social security or other income, you would need to provide that information.

2. Asset List.

In order to file bankruptcy, you are required to file a list of all of your assets. Our firm provides an online form that helps you gather and list this information.

The typical assets include the following:

- Furniture and Electronics
- Bank Accounts
- Real Estate & Vehicles
- Retirement Accounts/Investment Accounts
- Guns/Firearms
- Any lawsuits you may have that you could file against a third party

3. List of Creditors

You need to provide a list of all of your creditors. Our law firm will pull a credit report from all 3 reporting agencies. However, you still want to gather your creditor statements, if you have them. Sometimes creditors don't report on your credit.

You have to list all creditors. Even if you want to have certain debts survive bankruptcy, you still must list every creditor. Failure to list your creditors can result in your bankruptcy discharge being revoked.

4. General Financial Information

In order to file a bankruptcy you have to complete what is called the Statement of Financial Affairs. This is a list of about 25+ questions that you must answer relating to your finances.

5. Tax Returns for the last 2 years.

You are required to provide the Court with your last 2 years tax returns. If you have not filed them, you must get them filed. Failure to file your tax returns can prevent you from filing bankruptcy.

6. Creditor Payments in the last year.

You must create a list of all creditors you have paid in the last year. This includes mortgage/rent payments, car payments, creditor payments.

7. Miscellaneous Documents

If you were divorced in the last 3 years, you need to provide a copy of your divorce decree.

If you own a business, you must provide the formation documents for that business.

If you have a pending lawsuit, you must provide a copy of that lawsuit.

Transfers. If you transferred or sold any property in the last 3 years, you must provide information about those transfers. Typically, the Court needs to know the following:

- What was sold?

- Who was it sold to?
- How much did you receive?
- The date it was sold .

8. Driver's License / Social Security Card

Required Financial Courses

Before you can file bankruptcy, you must complete a credit counseling course. Our law firm will provide you with the login information so you can take the course online. The course is pretty straight forward and takes about 60 minutes.

After you file your bankruptcy, you are required to complete a post-filing course (2nd course). Again, our firm will provide you with the information to take the course.

If you file your case without taking the first course, your bankruptcy case will be dismissed by the Court.

If you want more information or want to receive a free 30 minute finance coaching session, then give us a call at 469-607-8552 and mention the title of this PDF, and the session will be free.