

7 Mistakes to Avoid Prior to Filing Bankruptcy

The actions an individual takes leading up to filing bankruptcy can drastically affect his or her ability to get a “fresh start.” By avoiding these seven mistakes, one can generally travel successfully through the bankruptcy process without harm.

1. **THE CREDIT CARD RUN-UP MISTAKE:**
Don't use your credit cards once you have made your decision to file bankruptcy. Consumer debts incurred for luxury goods and services owed to a single creditor in excess of \$500.00 within 90 days of filing are presumed to be non-dischargeable and may be found to be due and owing. Cash advances of more than \$750.00 within 70 days of filing are presumed to be non-dischargeable and may be found to be due and owing. Don't jeopardize your “fresh start” by running up your credit cards.
2. **THE REPAY A FAMILY MEMBER MISTAKE:**
With regard to repaying debts, you cannot treat your family member any better than you would an ordinary creditor. In fact, a bankruptcy trustee can reclaim any amount repaid to a family member within one year of filing bankruptcy.
3. **THE LIQUIDATE YOUR RETIREMENT ACCOUNT MISTAKE:**
Retirement accounts are generally protected under state and federal law. You can eliminate your debt and keep whatever you have in an ERISA qualified account (IRA, 401K etc.) free and clear. Many individuals drain their retirement accounts in a futile attempt to pay down credit card debt.
4. **THE TRANSFER PROPERTY OUT OF YOUR NAME MISTAKE:**
A bankruptcy trustee can undo a transfer of property that previously belonged to you. This can occur if the transfer was made within two years of the filing of the bankruptcy with the intent to hinder, delay or defraud a creditor.
5. **THE LINE OF CREDIT/SECOND MORTGAGE TO PAY DEBT MISTAKE:**
Don't take a loan against your home in an effort to reduce the equity. You can most often file bankruptcy and protect this valuable asset. If you take out a second mortgage to pay credit card debt, you may be putting your home at risk.
6. **THE FAILURE TO APPEAR AT COURT PROCEEDINGS MISTAKE;**
If there's a collection case pending against you in state or federal court, don't assume that you can avoid the court process simply because you've decided to file bankruptcy. Until your bankruptcy case is filed, a collection case continues.
7. **THE FAILURE TO TELL YOUR ATTORNEY THE TRUTH, THE WHOLE TRUTH AND NOTHING BUT THE TRUTH MISTAKE:**
An attorney can only provide advice based upon information provided by the client. Failure to notify your attorney about your assets can lead to the loss of those assets, denial of your bankruptcy case, fines, imprisonment or all of the above.