

## Can I Sell Things Before I File a Chapter 7 Bankruptcy

I have lots of “stuff” that is worth significant money, like two paid-off cars, restaurant equipment (restaurant is closed), a boat, etc. Can I sell those things before filing Chapter 7 bankruptcy and use the money to pay my bankruptcy attorney and for other things I need to pay for?

In general, you can sell anything you want before filing bankruptcy as long as you receive a fair market price for the items. However, if you sell a car to your brother for \$100, you didn’t receive fair market value for it and it could very well be considered bankruptcy fraud. If you do sell things before filing bankruptcy, be sure to keep good records of the transactions and also of where the money went. The trustee assigned to your case may very well want to know those things.

Of course, you now have money instead of those items. You’ll need to “exempt” that money, just like you would have needed to exempt the items, if you wish to keep them in a Chapter 7 bankruptcy. If you don’t have enough exemptions available to cover that money, you’ll need to do something “legitimate” with it to keep it from going to your creditors. As you can see, the subject of exemptions is very important.

Now, how can or should you use the money you receive from selling assets before filing bankruptcy? Using it to pay your attorney for your bankruptcy is fine. Using it for household or automobile expenses, including needed maintenance, is fine. Paying off debts that you want to pay despite your bankruptcy (like debts to family members) wouldn’t be wise because the trustee could sue the recipient of your payments to recover the money to give to your creditors because you preferred some creditors over others.

That’s an overview of an answer. You definitely should consult with a qualified bankruptcy attorney in your area to discuss the specifics of your situation so you don’t make mistakes that could cost you serious money during your bankruptcy.

Malcolm Ruthven  
Attorney at Law  
San Francisco Bay Area  
415.342.4666 Fax 415.869.6645  
[mruthven@mruthvenlaw.com](mailto:mruthven@mruthvenlaw.com)  
[www.ca-bklaw](http://www.ca-bklaw)



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