

Should you pay your creditors if you're going to file bankruptcy?

If the best way out of your struggling financial situation is to file bankruptcy, should you continue to pay your creditors? The answer is important, but not black-and-white. Let's take a look at this.



- **Friends and family members whom you owe**

If you pay back "insiders" - family members, business partners, (sometimes) friends, etc - more than \$600 within one year before filing bankruptcy, the bankruptcy trustee can sue those people to get that money back to pay all of your creditors. You probably don't want that to happen.

- **"Regular" creditors that provide needed services, like your utility company, phone company, internet provider.**

Yes, keep paying them each month and (1) you'll keep being provided with the services and (2) there is no problem with doing that before your file bankruptcy.

- **Mortgage loans and car loans**

You'll need to keep paying these if you want to keep the house or car. However, if you fall behind in these payments, a Chapter 13 (payment plan) bankruptcy would let you make up the back payments over time, but that's beyond the scope of this article.

- **Credit cards**

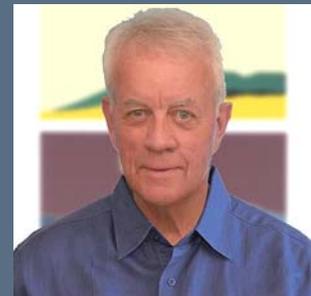
If you know you'll soon be filing bankruptcy, making payments to your credit card accounts is throwing money away. Why? Because those debts will be discharged (eliminated) in your bankruptcy whether you've made additional payments or not. If you do stop paying them, stop using the cards.

- **Medical bills**

If you need to pay medical bills to keep getting medical services, then pay them and there should be no problem with that in your bankruptcy. However, if not paying some medical bills won't stop needed services, think about these bills like the credit cards above.

That's a short summary and, as always, there can be more to the subject than readily meets the eye. Do yourself a favor and consult with an experienced bankruptcy attorney in your area, and do it sooner rather than later.

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