

## Too much money to file bankruptcy? Here's how to fix that.

Are you in the fortunate situation of having too much money to file bankruptcy? Let's see how you can fix that.

In a Chapter 7 bankruptcy, the type that gets rid of your debts quickly, you're allowed to "exempt" (protect) a certain amount of money. In California, if you don't need to protect equity in your home, you're allowed to exempt up to \$28,000 using what is called a "wildcard" exemption.



Let's say you have \$40,000 in the bank and/or stocks and bonds. Only \$28,000 of that could be exempted/protected, so \$12,000 could be taken by the bankruptcy trustee to give to your creditors. What can you do about that?

- **You can spend that extra \$12,000** on things that you'll need to spend money for anyway. For example, repairing your car, getting needed medical or dental care, replacing aging appliances, etc.
- **If you're receiving Social Security benefits**, you can keep that money in a separate bank account (it's all exempt without using any of the \$28,000 wildcard exemption) and spend money received from other sources.
- **Put money into your retirement accounts**, up to the limit allowed by the IRS (see your tax advisor).
- **Make sure any amounts you spend to reduce your supply of money have cleared your bank** before you file your bankruptcy case. It's the money actually in your bank accounts on the day you file that matters.

**This is a simplified version of a more complex subject**, just to give you an idea of solutions to the problem of needing to file a Chapter 7 bankruptcy but having too much money. Be sure to consult with an experienced bankruptcy attorney in your area before embarking on such a plan.

### What is this bankruptcy "Wild Card" I keep hearing about?

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