

## What might bankruptcy do for me? The short version.

Many people contact me to see if bankruptcy would be right for them. I find that many of them don't understand the basics of what bankruptcy might do for them, so here is the short version.



- **Eliminate most debts**

**Most debts would be eliminated.** For debts that are "secured" by something, for example your house or your car, you would need to continue to make the payments in order to keep that house or car.

**Some debts would not be eliminated**, like back taxes that are not "old enough", student loans (except in unusual circumstances), and support payments to an ex-spouse (including child support payments).

- **Stop all creditor actions against you**

**Stop lawsuits, wage garnishments, attaching bank accounts, foreclosures.**

**Stop creditor phone calls** after you retain a bankruptcy attorney.

- **Avoid taxes on cancelled debt**

If you settle your debts for less than you owe without bankruptcy, **you will owe income tax on that cancelled debt.**

When your debts are eliminated in bankruptcy, **no additional taxes are owed.**

- **Keep protected (exempt) property**

**Keep retirement accounts** (up to \$1M for IRAs, 100% of 401K accounts)..

**Many people get to keep everything else they own**, depending on their state's exemption (protected in bankruptcy) laws.

- **Eliminate 2nd and 3rd mortgages on your house**

If the value of your house is not more than the 1st mortgage, **you may be able to eliminate 2nd and 3rd mortgages.**

**This short simplified article should get you thinking in the right direction about bankruptcy, Your next step should be to get a consultation with an experienced bankruptcy attorney in your area.**

**For much more information, look over this list of articles.**

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



Click [bankruptcy](#) for more information from [Malcolm Ruthven](#)