

## **If I Am Broke How In the World Can I Pay You? Understanding the Costs Associated With Bankruptcy**

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There comes a point in every bankruptcy consultation that I do when we get to “The Question”. I know what they are thinking: “This all sounds great, I need to file bankruptcy, but what is this going to cost me?” I always try and be up front with the legal fees I charge. I am one of the few attorneys out there that actually list what I charge right there on my website. If you don’t believe me, Google “bankruptcy attorney” and check out their sites. See if *any* of them will tell you what they charge. My guess is you won’t find one – except mine.

### **What Does it Cost to File Bankruptcy?**

So what do I charge? For a typical Chapter 7 bankruptcy I charge \$1,700. For a typical Chapter 13 bankruptcy I charge \$4,000. You can plan on there being about \$400 on top of that in the form of a filing fee charged by the court and a couple of credit counseling classes you have to take. I am not the most expensive (by far) and not the cheapest. I do offer personal professional legal help. You will work directly with me from day one until your case is discharged.

What is a typical case? I can say that nearly all of my cases get filed for the fees I am quoting here. If you come to me with a dozen rental properties you are trying to save you can plan on paying more. The case is much more complicated and there will be quite a bit more work.

### **Ways to Pay for Your Bankruptcy**

So, back to the title of this article, if you are broke how are you going to pay me? It is a fair question. You need legal help, my wife and six kids have grown accustomed to eating three times a day. So, here are a few ways that we can work a solution to this problem.

1. **Payment Plans.** I offer payment plans. I do require a deposit to get the case started and to officially hire me as your attorney. You can then make payments on the remaining balance. I will work with you within your budget to come up with a payment plan that will work for your family. For some people it takes 2 weeks, others 4 months. Either way, we can get there.

One quick note, in chapter 7 bankruptcy case the legal fees must be paid in full ***prior*** to your case being filed with the bankruptcy court. The reason being, if you owe me money at the time of your bankruptcy filing, I am now not only your bankruptcy attorney, I am one of your creditors as well! It creates a conflict of interest so the fees need to be paid up front.

2. **Use the Money You Are Saving.** When we meet in a bankruptcy consultation I discuss you with you not only what your debts are, but what your goals are, what property you would like to protect, and what secured debts (i.e. car, house) you will continue to pay.

If you have decided to surrender your home or to let that car you are upside down in go back to the bank, there is usually no reason to continue to pay on those secured debts leading up to your bankruptcy filing. The funds you save there can be used to take care of the legal fees and court costs associated with filing bankruptcy.

3. **Tax Refunds.** During the spring of every year there is an uptick in bankruptcy filings. This is largely due to the fact that people have a lump sum of money from their tax refunds that they can use to cover their bankruptcy costs.
4. **Retirement Funds.** I generally don't recommend that client's use their retirement funds for their bankruptcy filing. You will generally take a tax hit for early withdrawal and further those are protected funds, even during your bankruptcy. However, in certain circumstances it is the only option. The choice often comes down to filing your case or risking foreclosure, wage garnishment, and a bankruptcy needs to be filed quickly. In certain cases it needs to be done.
5. **Help From Family.** It is not unusual to have help from a family member in getting your bankruptcy case filed. It is important to know that if a family member loans you the money that their debt is discharged in the bankruptcy as well. However if they gift you the money or if you voluntarily repay them down the road there is no problem with that.

### **One Place the Money Cannot Come From**

There is one place where the money cannot come from. Credit cards. You cannot charge your legal fees on your credit card. It would be nice for all involved, but it is not going to fly.

My bankruptcy consultations are absolutely free. We can sit down, discuss your situation, and help you determine if bankruptcy is a good option for you. If it is, I will help you work out a plan on how the bankruptcy costs can be put together and help you start moving forward with your case.

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