

## **My Kingdom for a Discharge? Exemptions and the No Asset Chapter 7**

Your home, your car, the money in your bank account, the clothes on your back and the shoes on your feet all make up your personal “kingdom.” Problem is, the bills coming in the mail and the calls on your phone are invading your kingdom. You want to keep your kingdom intact and conquer the invaders. How can this be done?

Bankruptcy may be the answer. Bankruptcy may allow you to conquer the invaders – creditors and bill collectors and many times allows you to keep your kingdom intact. How is this possible?

A Chapter 7 Bankruptcy is a liquidation, meaning your property can be sold to pay off your bills. The majority of Chapter 7 cases filed are non-asset or no-asset cases. But I have a kingdom, I own a house and a car, will I lose my house and car? Ultimately, it depends upon their value, but often times, you get to keep all of your property.

By applying exemptions, you are able to protect your property against liquidation. Any property labeled exempt cannot be sold or liquidated. That property will remain part of your kingdom.

For example, Richard owns a home worth \$250,000 and owes \$240,000 to his mortgage company. He also owns a car with \$15,000 and owes \$12,000 to the financing company. Richard has a checking and savings account with a balance of \$500. Richard’s remaining personal property consists of clothing worth \$750, household goods/furniture worth \$3,500, and sports memorabilia worth \$300. Richard also has a 401(k) account with a balance of \$15,000. Richard qualifies for a Chapter 7 based upon the means test. Will Richard have to give up all or part of his kingdom for his discharge?

Let's start with the house. The equity in Richard's home is \$10,000, calculated by subtracting the mortgage balance from the home's current value. Luckily for Richard, there is a homestead exemption that lets him protect the equity up to \$21,625. So Richard's home remains in his kingdom.

Richard's car has \$3,000 of equity. Richard can apply the federal vehicle exemption of up to \$3,450 and exempt his car. Richard's car remains in his kingdom.

Richard's cash in the bank will be protected by a wildcard exemption of up to \$1,150. His clothing, household goods/furniture and sports memorabilia will also be protected by a household goods exemption to protect individual personal property items up to \$11,525.

Lastly, there is Richard's 401(k), this will also remain exempt and fully protected, as the federal bankruptcy exemptions allow for full protection of certain tax exempt retirement assets regardless of their value.

So Richard's kingdom remains intact. He does not have to give up his kingdom for a discharge!