



Bankruptcy Should Come Before Using Retirement Money Or You Are Likely Costing Yourself Money

Over the years, I have yet to meet someone who spent money, incurred debt or owed a medical debt with the goal of filing bankruptcy. Time and time again, I find that people want to avoid bankruptcy and, in the process, make the mistake of using retirement money to pay bills instead of filing for bankruptcy. Although I understand their reasoning, many that still end up in my office have made a BIG mistake.

When a person accesses retirement money there was likely some cost involved. If the retirement money was cashed out before retirement age then there were taxes incurred and a penalty. If the taxes were not paid or enough money was not set aside then the taxes owed will still be owed after bankruptcy most likely and are generally not dischargeable. The penalty money is simply lost with no mechanism to seek reimbursement. If the money was taken as a loan, then the bankruptcy will not discharge the loan and principal and interest payments will continue. If you are unable to repay the loan then, again, there are tax consequences. Either option cost you money.

Assume that you did use retirement money to settle some of your debt, but it did not go far enough. Now you have paid out retirement money that will no longer be available to you in the future and your financial position has not changed. In the meantime, if you settled your debt for less than what was owed on consumer debts then you will receive a 1099 at the end of the year and, again, this will result in tax consequences. Again, taxes are generally not dischargeable and you will likely have to pay these taxes. You have again cost yourself money and not avoided going to the attorney's office.

Finally, and most importantly, if you had not withdrawn or do not withdraw your retirement money then **ALL of your retirement money is exempt** and you will get to keep this money. The money will remain invested, hopefully earning dividends, interests and capital gains and be available to you in the future. And, as is the theme of this article, you have cost yourself the money your retirement will likely earn. However, if no money is withdrawn then you have saved yourself money and, if bankruptcy is imminent, this money will remain yours after filing bankruptcy.

Do not cost yourself money. There are times where it might make sense to withdraw retirement funds and try to settle your debt, but there are legal maneuvers that can cost and save you money even if this is the path you choose. Whichever option

you decide to try, make sure you speak with an experienced bankruptcy and debt settlement attorney such as Jason Wischmeyer to make sure you are making a wise financial and legal choice.

On a side note, our office does not immediately slot you into a bankruptcy. We evaluate your situation to advise you of the best outcome with the least overall cost which is very different from many bankruptcy law offices as they are focused on, and all they know, is how to file bankruptcies. They may not look at your actual situation and try to help you avoid bankruptcy because it is not in their financial best interest. We have the experience and will advise you properly and help you with whatever solution is best for you.

Welcome to Wischmeyer Law Office – A different kind of attorney that seeks solutions for you first NOT what is in the law firm's best interest first.

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