



Your Detroit Bankruptcy Lawyer always gets asked if a whole life insurance policy can be protected in bankruptcy. A whole life insurance policy is a life insurance policy that has a cash value to it. It is usually more expensive than a normal term life insurance policy, but many people use a whole life insurance policy as a retirement tool.

As with any item of personal property and bankruptcy, whether the whole life insurance policy can be protected depends on each individual's situation and how much personal property you own and their value.

If you file a [Chapter 13](#), more than likely you will be able to protect the full value of the whole life insurance value. This is because in a Chapter 13, you are paying your creditors back so you will be able to keep all your assets, even those that fall above the exemption amount.

However, if you are in a [Chapter 7](#), the question whether you can keep them or not depends on a lot of things. First off, are you using the Federal Exemptions, or the Michigan Exemptions? You must choose one set and cannot mix and match. Also, how much are your assets worth? House, car, bank accounts, stocks, bonds, personal items, etc. all come into play here in deciding which set to use. Make sure you speak with an attorney to find out which set would be beneficial to you before you file. If not, you risk losing your assets.

The federal exemption, under [11 U.S.C. 522 \(d\) \(8\)](#) (which is adjusted every three years) allows an exemption of \$11,525.00 of the cash value. So if your cash value is only \$10,000.00, then you can exempt your whole life insurance policy. Then your creditors or the [Trustee](#) cannot take them. You can also deduct the amount of the loan you have against the cash value when determining the exemption amount. So if you have a \$25,000.00 cash value, but have a loan of \$15,000.00 against it, then you need only exempt \$10,000.00. You are safe.

The Michigan exemption is much more generous. Under Michigan's exemptions, you can exempt the entire amount of the cash value. Sounds great? Well, remember that you must choose either the Federal Exemptions or the State Exemptions, you can't pick and choose. While the Michigan Exemptions has some greater allowances than the Federal, the Federal does have some greater allowances than the State.

It is important to speak with your [Detroit Bankruptcy Attorney](#) and discuss all your assets and their values. Only then can I provide an analysis on which set would be beneficial to you and to protect what you own. You do not want to attempt this on your own, because only an experienced bankruptcy attorney can protect what you worked so hard to get.

If you have a whole life insurance policy and need to get out of debt, call us today at **(586) 439-4297**, **Extension 0**, and set up your free consultation. We will discuss your situation and decide whether the Federal or State exemptions would be best for you.