

## If I file for bankruptcy, will I lose everything I have?

**The short answer is a resounding NO.** The longer answer is that (1) "exemptions" keep most people from losing anything and (2) if you have more money and "stuff" than you can protect with exemptions, then a Chapter 13 (payment plan) bankruptcy may be a way to keep everything you own.



### Chapter 7

In a Chapter 7 bankruptcy, the type that gets rid of your debts quickly, you get to keep everything that you can "exempt" under the exemption laws of your state. In California:

• **If you don't have equity in a home that you want to keep**, you can protect (exempt) up to the following:

- \$26,925 – Any combination of things (referred to as the "wildcard" exemption)
- \$5,100 – One or more vehicles (the resale value above the amount owed on it)
- All of your household items and clothing that individually are not worth more than \$650, which usually includes everything you own.
- All (usually) of your retirement accounts
- Note that the \$26,925 wildcard exemption may be used to "pick up" excess amounts from any number of exemption categories, such as a car that's worth more than \$5,100 above the amount owed on it.
- There are other specific exemptions, but those are the most important ones.

• **If you do have equity in a home that you want to keep**, you can protect (exempt) different amounts of that equity based on your age and other factors. It's called a **Homestead Exemption**.

\$75,000 – Single person, age 64 or younger

\$100,000 – Married person with the spouse living in the house, age 64 or younger

\$175,000 – Debtor or spouse (living in the house) is one of the following:

- 65 or older
- Physically or mentally disabled so as to be unable to engage in substantial gainful employment
- 55 years of age or older with a gross annual income of not more than \$25,000 or, if the debtor is married, a gross annual income of both debtor and spouse of not more than \$35,000.

This is the simplified version of the Homestead Exemption. Your bankruptcy attorney will know the additional rules.

You do not get the wildcard exemption, so speak to your bankruptcy attorney about how to "spend down" properly any bank accounts or investments (non-retirement accounts) you may have.

### Chapter 13

In a Chapter 13 (payment plan) bankruptcy, you get to keep everything in return for paying to the trustee (for the benefit of your creditors), monthly over three to five years, at least as much as

your creditors would have received in a Chapter 7 bankruptcy. There is way more to a Chapter 13 than this. Your bankruptcy attorney should know the additional details.

**As you can see, there are multiple ways to keep what you own when filing bankruptcy.** It's up to you to choose the best bankruptcy attorney for you who will work with you and guide you through the process for the best outcome.

**Save your assets! Don't wait too long.**

**I gave my car to my brother and now I'm ready to file bankruptcy. Wrong!**

**Retirement Plans Are Your Saving Grace in Bankruptcy**

**Do I need bankruptcy to protect my money and other stuff from creditors?**

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