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How to Plan for Bankruptcy

If you are considering filing for bankruptcy, it is best to take some steps to plan your bankruptcy. Proper planning will keep your debts to a minimum and ensure a smooth bankruptcy process. Here are some things to consider before filing for bankruptcy.

1. When to file for bankruptcy

Since your income level is one of the main factors in bankruptcy, it is important to choose the most appropriate time to file for bankruptcy depending on your job situation. Some people decide to file for bankruptcy because they have lost or are about to lose their jobs. One of the things you may need to do in your bankruptcy filing is take the Means test. The Means test is to ascertain if you have enough disposable assets to pay off your debts and is based on your previous 6 months' income. Therefore, you should take the Means test and file for bankruptcy after you have lost your job or have quit.

2. How you pay off debts

Obviously, you will want to reduce your debts as much as possible. But if you file for bankruptcy, you should ensure that you do not pay off any debt(s) preferentially i.e. favor one creditor (like a family member). This is because if the bankruptcy trustee discovers preferential payments to a creditor he or she may void the payments and demand the return of the money to the bankruptcy estate.

3. Buying a car

If you buy a new car through a car loan 910 days before filing for bankruptcy, the loan will not be dischargeable. Hence you will have to continue repaying the loan throughout the bankruptcy and beyond. So if you really need a car before your bankruptcy, either buy one in cash or determine that you can keep up with the loan repayments through bankruptcy.

4. Selling assets

If you sell off any assets before filing for bankruptcy, you need to ensure you sell at market value. If the bankruptcy trustee finds you have sold off your assets (like property) below market value, he or she may void the transaction and classify it as an illegal transaction because you did not receive the appropriate value in the transaction.

It is important to discuss these pre-bankruptcy planning matters with your bankruptcy attorney before filing for bankruptcy. Call us at (813) 200 4133 for a free consultation.