7 Mistakes to Avoid Prior to Filing Bankruptcy

In order for your bankruptcy case to run smoothly through the process, you need to avoid these seven mistakes people make before they file their bankruptcy case.

1. **Do Not Run Up Your Credit Cards**: Once you've decided to file for bankruptcy because any debt in excess of $500.00 incurred within 90 days of filing for bankruptcy are presumed to be non-dischargeable and you may end up holding the bag on this. Also, cash advances of more that $750.00 made within 70 days of filing are presumed to be non-dishcargeable and may be found due and owing.

2. **Don't Repay Any Family Members**: You cannot repay your family members any better than you would any other creditor. In fact, the bankruptcy trustee can reclaim any amount you paid to a family member within one (1) year of filing bankruptcy.

3. **Do Not, I Repeat, DO NOT Cash Out Your Retirement Accounts**: This is one of the biggest financial mistakes you can make EVER. Retirement accounts are generally exempt from the trustee taking when you file for bankruptcy. This means that you can usually eliminate your debts and keep whatever you have in an ERISA qualified account.

4. **Do Not Transfer Any Property Out of Your Name**: You have a duty to disclose all of your assets to the trustee and your estate essentially belongs to the trustee once you file for bankruptcy. The trustee can, and in most cases, will undo any such transfers made within two (2) years prior to filing for bankruptcy.

5. **Do Not Try to Reduce Your Home's Equity**: Right now this should not be an issue here in California since most of us have no equity in our homes. Just keep in mind that there is a homestead exemption and in most cases, you can keep your home and the equity, and still file for bankruptcy.

6. **Do Not Fail to Appear At Court Proceedings**: Until your bankruptcy case is filed with the court, any civil proceedings, or collections case against you will continue and you MUST appear. Also, you MUST appear at your 341(a) Meeting of Creditors in your bankruptcy case and all other appearances as instructed by your lawyer.

7. **You Must Tell Your Lawyer The Truth**: Your lawyer can only provide advice based upon the information you provide. If you fail to tell your lawyer about your assets you could lose them, your bankruptcy case could be dismissed, you could be fined, and you could end up in prison for bankruptcy fraud.

So, if you've decided to file for bankruptcy, follow these golden rules. Don't risk your financial fresh start because you deserve a life free from debts that you cannot afford to pay.