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## **7 THINGS NOT TO DO PRIOR TO FILING A BANKRUPTCY CASE**

Below is a list of common mistakes made by consumers prior to filing bankruptcy. These mistakes can result in significant financial detriment, so take the time now to learn what *not* to do before filing bankruptcy:

### **DO NOT TRANSFER PROPERTY OUT OF YOUR NAME!**

Many people transfer property out of their names just prior to filing bankruptcy on the incorrect belief that if they do not own the property at the time of filing, the trustee will be unable to take it from them. This is not true. The trustee has a legal obligation to sue the transferee (the person who received the property) to get it back and sell it anyway. This may be true for any property transferred within the 4 year period prior to filing. And a gift to a friend or relative will be treated this way as well.

### **DO NOT REPAY A RELATIVE!**

In the eyes of the law, a relative has no special legal status. You are not permitted to treat them any differently than other creditors within the same class. For example, if you receive a tax refund just prior to filing and give it all to your mother (or other relative) in repayment of a debt, the trustee will be obliged to sue her to recover the money she received and disburse it to all similarly-situated creditors. So do not repay any debts to friends or relatives prior to filing a bankruptcy case.

### **DO NOT INCUR DEBT OR MAKE CHARGES YOU DO NOT INTEND TO REPAY!**

Once you have made the decision to file bankruptcy, it is against the law to incur additional debt that you do not intend to repay because of the bankruptcy. In fact, it is a crime. So, do not use your credit cards or incur other debt you do not intend to repay once you have made your decision to file bankruptcy; you could lose the right to cancel the debt in bankruptcy, or worse.

### **DO NOT TAKE MONEY OUT OF YOUR RETIREMENT ACCOUNT UNLESS YOU ABSOLUTELY NEED TO!**

Retirement accounts cannot be taken away from you, in bankruptcy or otherwise. You will be able to cancel your debt in bankruptcy without giving up your retirement account, so do not take money out of it to pay debts. You are giving your money away unnecessarily and you will need those funds once you retire.

**☑ DO NOT TAKE BORROW AGAINST A LINE OF CREDIT OR TAKE OUT A SECOND MORTGAGE TO PAY DEBT!**

Do not borrow against a line of credit secured with your home or take out a second mortgage to pay your debt. Some people believe that they must eliminate any equity in their homes in order to discharge debt in bankruptcy without putting their homes at risk. This is not true in many cases. You make be putting your home at risk *by* incurring mortgage debt. Consult with your attorney before you do this.

**☑ DO NOT ALLOW CREDITORS TO OBTAIN JUDGMENTS AGAINST YOU!**

If there's a collection case pending against you in state or federal court, don't assume that you can avoid the court process simply because you've decided to file bankruptcy. Until your bankruptcy case is filed, a collection case continues.

**☑ THE FAILURE TO TELL YOUR ATTORNEY THE TRUTH, THE WHOLE TRUTH AND NOTHING BUT THE TRUTH IS AN EXPENSIVE MISTAKE:**

Your attorney *is your advocate*. Your attorney can only provide advice based upon information provided by the client. Failure to notify your attorney about your assets can lead to the loss of those assets, denial of your bankruptcy case, fines, imprisonment or all of the above.