

# YOUR FRIENDS LIE

## *and 9 other things you should know when considering filing for bankruptcy*

Filing for bankruptcy is a big step and should never be taken lightly. Regardless of what Chapter you file or which attorney you use, the list below points out 10 things you should be thinking about before, during, and after Bankruptcy. While the list is intended to be somewhat humorous, it is in no way meant to imply that financial struggles are a laughing matter. Please also note that this list is not intended to be legal advice. Should you have questions regarding bankruptcy talk to a qualified professional.

### **Know yourself** - *You do not spend \$200 a month on food!*

In order to determine if bankruptcy is right for you, it is important that you have a realistic picture of your financial situation. That means sitting down and actually making a budget. Write down approximately how much you make each month after taxes and other deductions. Next, write down your expenses. This is where you really need to be honest. It's easy to list what you spend on rent or your car, but we tend to lose sight of what we spend on things like food. When it comes to food, I hear people all the time say how they only shop sales and cook at home. That may be true but what people tend to forget about are things like buying lunch at work, their morning coffee, the weekend pizza, or just dining out with friends. These things all add up! There are lots of these hidden expenses in other categories like transportation, clothing, personal grooming, and entertainment. Once you have a clear picture of your budget, it is much easier to determine if there is a feasible way to repay your debt with just a few adjustments to your spending.

### **Know your credit** - *You may have forgotten about them but they haven't forgotten about you!*

In order to determine if a bankruptcy is appropriate, it is important that you have a clear picture of whom it is that you owe. A good first step is to look at your credit report. There are three major credit reporting agencies, and you have a right to a free report from each of them every 12 months. You can go to [annualcreditreport.com](http://annualcreditreport.com) to request these reports online. Be careful when you're online that you don't inadvertently pay for a credit report. If they ask for a credit card, you are probably in the wrong spot.

The next step is to open your mail! This may sound ridiculous but how many of us have a pile of unopened envelopes from one creditor or another. Remember even if you don't recognize the return address, it probably means that your debt with a particular creditor has been sold or transferred. Opening your mail does not just apply to physical envelopes anymore. There may be creditors lurking in those hundreds of unopened emails too. So watch them carefully.

### **Know who you're listening to** - *Your friends lie!*

I know what you are thinking, "That is so wrong". And I actually agree with you what it should say is that your friends and family lie. I'm not saying they do it intentionally; I'm sure they are genuinely great people. The problem is unless they are financial planners, bankruptcy attorneys, or something similar, they are bound to give you bad information. It's like the old expression goes; "a little bit of knowledge can be a dangerous thing". While they mean well, their experiences aren't your experiences. We see clients all the time who have made their financial situation worse by listening to a nonprofessional. From playing with the exemptions on your paycheck, to how to get your car back when it's been impounded. A good friend's advice can end up costing you dearly. The only advice you may want to consider taking from those whose opinion you value is a referral to a qualified bankruptcy attorney.



### **Know you're not alone - *If they can do it, so can you!***

In today's economy, it can seem like your fighting a losing battle and drowning in debt. This situation can be made even worse by job loss, medical problems, or divorce. If you are feeling overloaded, you are not alone. Debt is at a record high across the country, and millions of Americans are struggling just to keep a roof over their heads and food on the table. Often people feel so ashamed of having to file bankruptcy that they continue to needlessly struggle day in and day out. Bankruptcy has been around for centuries, and people across all walks of life have needed the ability to obtain a fresh start. This includes professional athletes, celebrities, politicians, and even four presidents. So while there may be reasons not to file bankruptcy, feelings of failure or shame should not get in the way of you being able to breathe a little easier.

### **Know your limits - *Watching The Good Wife does not make you a lawyer!***

It's tempting to think of bankruptcy as just filling out a bunch of forms, filing them with court, and presto you're debt free. It's tempting to think that way, but the reality is much different. Filing for bankruptcy is a legal process and every form submitted has legal consequences. There are requirements at every stage of the process. Failure to meet any of those requirements can have consequences, the least of which is having your case dismissed. You could end up losing your tax refund, car, or even your house. Certain mistakes can even lead to criminal fines or imprisonment. Additionally, incomplete or improper disclosures can limit your ability to collect civil judgments or file for bankruptcy relief in the future. You may think that can do this yourself, but it's not a chance you could take considering the consequences if something goes wrong. In this situation, the reward doesn't seem nearly as great as the risk. If you are truly shrewd, you will stop worrying about saving a few bucks and hire an experienced attorney.

### **Know who you're talking to - *You need to do your homework***

Now that you are ready to consider filing bankruptcy and you know you can't do it on your own, it's important to find an attorney that's the right fit. Attorneys are like snowflakes; everyone is different. In selecting the right attorney for the job, there are a few things you should consider. How long have they been an attorney and more importantly how much experience do they have with bankruptcy? You will also want to know how much of their practice is bankruptcy-related. For example, if your attorney can draft your will, get you out of that speeding ticket, and represent you in a worker's comp case that could be a warning sign. You will probably be more satisfied with someone who concentrates their practice in bankruptcy. Additionally you should always do a little online investigating yourself. It never a bad idea to check with the better business bureau, the state or local bar association, or look for online reviews from past clients who have used the firm's services. Once you have narrowed your search down to an attorney whose primary practice area is bankruptcy, it's important that you find one that's the right fit for you and your budget. You want to make sure that your lawyer truly has your best interests at heart. One of the hardest things a lawyer has to do is tell his or her client that they can't have what they want. Creditors come in all shapes and sizes and to eliminate those burdens may not be as easy as you think. Bankruptcy is not a one size fits all operation. It is the duty of a lawyer to see beyond the short term and look at what is going to be the better choice over the long haul. This may mean filing a Chapter 13 instead of a Chapter 7. It could be that delaying the filing of a case or in certain instances or not filing at all in is in your best interest. An experienced bankruptcy attorney will be able to steer you in the right direction.

### **Know what you're paying for - *Being cheaper can cost you plenty!***

If it is not clear by now, filing for bankruptcy is serious and can have serious consequences. Having a lawyer who will take the time to truly understand your situation and advise you accordingly can be invaluable. But in reality there is always a cost. When you are strapped financially it probably seems pretty logical to look for the cheapest bankruptcy attorney out there. However, there is a reason for the phrase "you get what you pay for". For most people filing for bankruptcy will be one of the biggest decisions of their life. While the price matters, knowing it's done well and that you made the right decision is more important. You need to find an attorney that you feel comfortable with from both a legal and financial standpoint. The law firm you choose should not be a factory where you pay \$1,000.00 and at the end of the assembly line you receive a discharge of all your debts. You should not feel like you are just a file number! You have the right to expect personal service and attention from an actual attorney and not just a paralegal. In terms of the fees, make sure you know all the costs. In addition to initial attorney's fees, there may be court costs along with expenses related to credit counselling, debtor education, credit reporting, and tax transcript retrieval. Court appearances and amendments could also be separate charges. You need to be clear about for what you are being billed. Many people are under the belief that you cannot file for bankruptcy until all fees and costs have been paid up front. This is often not the case; certainly not with our firm.



### **Know your role - *You don't get out of debt that easy***

Just because you've found an attorney with whom you are comfortable, that doesn't mean you just sit back and let them do the rest. You still have several responsibilities. While your case is important to your attorney, it is more important to you. Until the case is filed, you are still at the mercy of your creditors. Creditors have the right to call, sue, garnish, repossess, or foreclose up until the point your case is on file with the court. It is therefore your responsibility to comply with your attorney's requests as quickly as possible. In general attorneys will request various documents from their clients including tax returns, proof of income, and bank statements. Your attorney will let you know exactly what they need from you. Failure to provide this information will only delay the filing of your case. It is in your best interest to follow up with your attorney's office and make sure all documents have been received and there is nothing else they need from you. Once you have been told they have everything, be sure and ask when the case will be filed and follow up to make sure it has been. Additionally don't expect your attorney to know every creditor you have. Your attorney will probably pull a credit report and be sure that those creditors are listed. However, not all bills make it on a credit report. That's why you should be sure and give your attorney as complete a list as possible of all your bills. Once the case is filed, then you can just sit back and relax, right? Nope, sorry you're not done yet! In addition to attending a trustee meeting you will be required to complete a course in debtor education. You will also want to let your attorney know if you are still receiving bills or collection calls. It is also very important that you let your attorney know of any changes to your address or phone number. This especially true in a Chapter 13 where you could be in bankruptcy for 5 years.

### **No, you're not done - *It ain't over til its over, and it almost never over!***

Congratulations, you've received your discharge but that may still not mean your debt free. Just like any good horror film, there is always something left for the sequel. Now I'm not saying you will have to file bankruptcy again, but certainly it's been known to happen. What I'm talking about are those things that hang on even after you've received your discharge. In Chapter 7, and to a certain extent Chapter 13, select government related debts cannot be eliminated. This can include tickets, taxes, toll way violations, overpayment on government benefits, child support, and of course student loans. These are all debts that will need to be addressed both during and after your case is over. Uncle Sam is that one relative you can never seem to stop running into. Many of these agencies will allow you to go on a payment plan but it is your job to start it and stick with it.

In addition to debt sticking around, your house or car might also be your burden long passed your discharge. You may decide to give up your house under the bankruptcy. Well just because you don't want it or can't afford it, doesn't mean your mortgage company is in a rush to take it back. Until title is transferred out of your name through a short sale, foreclosure, or something else, the house is still yours. That means you could still be subject to utility charges, condo assessments, and even code violations. The same may also be true for your car. If the car company chooses to not repossess the vehicle, you could be stuck with a vehicle that you do not have title to and therefore find it very difficult to dispose of. In the meantime you could still be incurring tickets and other fines. Now this does not mean all hope is lost. It just means that even after your bankruptcy is over efforts still need to be made on your part. An experience attorney who has dealt with these types of monsters can direct you down the path to becoming truly debt free.

### **Know your new self - *No one ever said change was easy!***

So your bankruptcy is over and even if there is some stuff lingering for the most part you should be feeling relieved at obtaining a fresh start. The important thing is to remember what lead you to bankruptcy and how to avoid it in the future, if possible. Upon completion of your case, you will most likely be inundated with all sorts of credit offers. While it is tempting to say, "I never want credit again", that's not realistic. Credit is a necessary part of life. What you should be saying is you never want bad credit again. It is important that you have some positive accounts on your credit report. Just be sure when applying for credit that you do it slowly. Maybe just accept one credit card offer.

Speaking of those offers, you should be aware you will probably be treated like your 18 again. That means lower limits and higher rates. But again as you use your credit wisely your rates will go down and your limits, and more importantly your credit score, will go up.

Lastly, just some things to remember after bankruptcy. If you forgot a creditor and they try to collect from you, call your attorney. Do not accept a store credit offer because they will take 15% off your purchase. And when it comes to helping out someone by cosigning for a car or student loan, just remember the title of this list and don't do it!

