

## Retirement Plans Are Your Saving Grace in Bankruptcy

Why do I say retirement plans are your saving grace in bankruptcy? Because you can (almost always) keep all of the money in them if you file bankruptcy, not losing it to your creditors. Let's look at what that means for you.

### Chapter 7 Bankruptcy in General

- A Chapter 7 bankruptcy is the one that gets rid of your debts quickly, the one most people want and think about when they think about bankruptcy.
- In a Chapter 7 bankruptcy, the trustee assigned to our case gets to take the things you own, sell them (if not in money form already) and give the proceeds to your creditors EXCEPT for the things you can exempt. As you can see, exemptions are a very important topic.

### Retirement Accounts

- Some types of retirement accounts, most commonly 401(k) accounts, do not become a part of your "bankruptcy estate". This means that they the trustee cannot get them and they don't even have to be exempted.
- Other types of retirement accounts, like IRA accounts, receive an exemption of \$1,245,475. That is way more than most people have in their IRA account, so for most people their IRA accounts are fully exempt.

### What is the Take-Away?

If you are in financial difficulty, do NOT take money from your retirement accounts without first consulting with an experienced bankruptcy attorney in your area.

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