

In these trying times, many people are finding any way possible to keep current on their bills. The system they use can be described as "robbing Peter to Pay Paul", but eventually John will come looking for his payment. It is like a house of cards, eventually it will fall.

One of the ways people use to keep current on their bills is to loot their retirement accounts, such as 401 (k), 403 (b), IRA, or SEP. They will draw draw down on theses accounts until they are completely gone. In most cases, they are no better off than when they started. They still have massive debt, but now they have nothing for retirement. Everything they worked hard for has gone down the drain. If you are one of these people, stop drawing on your retirement accounts and read this blog.

If you file bankruptcy, either [Chapter 7](#) or [Chapter 13](#), your retirement accounts are exempt from the reach of the creditor and trustee and are protected by the Employee Retirement Income Security Act (ERISA). Also, the bankruptcy code provides specific exemptions for any IRS qualified plan. Pensions, 401 (k), and 403 (b) are exempt no matter how much is in the account, but traditional or Roth IRA's are only exempt up to \$1,095,000 per person.

If you had a 401 (k) or 403 (b) but need to roll this over into on IRA because of a job loss, you are allowed to roll over these accounts into a traditional or Roth IRA, regardless of the amount. The new IRA will be protected under bankruptcy law.

If you put proceeds into your retirement accounts within 6 months of filing bankruptcy, the law will not protect those proceeds. So if you receive a lumps sum of money, for example lottery winnings or lawsuit settlement, and you put these into your retirement accounts, they may not be exempt. The law will not allow you to convert an otherwise non exempt asset to an exempt asset in order to protect it from the creditor or trustee.

So if you are using your retirement accounts to keep current on your bills, stop doing this immediately and call your [Detroit Bankruptcy Lawyers](#) at (586) 439-4297, Extension 0. Ask to set up your free consultation and we can discuss how to save your retirement and make sure it is used for what it is truly intended: your retirement. It does not make any financial sense to drain these accounts, only to find you are no better off financially. In fact, you will be worse off as you no longer have anything to fund your retirement years.