

401K Loans & Bankruptcy....READ THIS IF YOU ARE CONSIDERING EITHER

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It is common for people to believe that filing a [bankruptcy case](#) should only be an option if they have tried everything else to rectify their financial situation. Unfortunately, this mentality can lead them to take actions that can further harm their finances. Two common examples are that individuals sell significant assets or they take a loan against their [retirement plans](#). Before you do either of these things, **it is imperative that you contact a bankruptcy attorney to discuss your options!**

In a bankruptcy case, assets that you are considering selling because you believe you will lose them in your filing anyway, could be exempt under the law (which means you get to keep possession of them). Additionally, selling property in the months leading up to your bankruptcy can also lead to unintended and detrimental consequences. Therefore, if you believe that filing a bankruptcy could be in your future, contact [Robert L. Firth](#) to make sure you don't do anything that could result in you losing the benefits of filing your case.

As a general rule, taking a loan against your [401k](#) account is a bad idea. This is especially true if a bankruptcy filing is inevitable. Most individuals who borrow from their retirement account intend to repay the loan because they want to preserve those funds for their future and they want to avoid the tax penalties associated with the loan or cashing out the account. In a Chapter 13 bankruptcy case, it is possible that the trustee will not allow you to repay your 401k loan through your plan. The reasoning of some trustees is that the money used to repay your retirement account is funds that could be used to pay creditors.

Finally, and most importantly, the majority of retirement accounts are exempt in a bankruptcy filing. This means the trustee cannot access your 401k account to pay creditors. In other words, the money in your 401k account will be intact and available to you once your bankruptcy case is closed.

If you are considering selling assets or taking a loan against your retirement account, contact [Robert L. Firth](#) to discuss the advantages of filing a bankruptcy case instead.

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About the law office of Robert L. Firth

If you want to obtain a fresh start that will allow you to save for your retirement or your children's college, contact [Robert L. Firth](#) to discuss the option of filing for bankruptcy protection.

If you live in the area of [Coachella Valley of California](#) (Palm Springs, Cathedral City, Palm Desert, Indio, etc.) and you need to speak with an attorney about bankruptcy, estate planning and probate, real estate tax deferred exchanges, small business services or another important legal matter, contact the law office of [Robert L. Firth at \(760\) 770-4066](#). We are committed to providing quality legal representation to individuals and businesses facing difficult legal challenges. Our firm believes in providing compassionate service at reasonable rates.