

The Surprising Truth About **Bankruptcy**

How To Get Out Of Debt And
Take Your Life Back Without
Losing Your Home Or Autos



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Bankruptcy Attorney

The Surprising Truth About Bankruptcy

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This Report Is Not Legal Advice

Although I'm going to give you a lot of valuable information in this report, you must understand that it is not legal advice. Moreover, this report will not establish an attorney-client relationship between us. The only way that I can give you legal advice is if you hire me. To hire me, you must sign a written agreement, called a retainer agreement, which sets forth the terms of my representation of you and details of our attorney-client relationship, including the cost.

Only after you have hired me as your attorney by signing a retainer agreement, will I be able to give you legal advice. Until that time, however, I can only help you educate yourself by providing you with some useful information.

Introduction

As debt begins to take over your life it can be overwhelming. Financial problems soon begin to weave themselves throughout the fabric of your daily existence.

Creditors **calling** nonstop. You're **worried** about your employer finding out. You start to **lose sleep** worrying about bills.

The stress from **money problems can become incapacitating**. And to make matters worse, far too many people continue living this way when relief is there for the taking.

Like a drowning man who refuses to grab onto a life raft, many people are afraid to consider bankruptcy because of **misconceptions** they have about how it will affect their lives in the future.

They are afraid of losing their home and their autos. They are afraid it will damage their credit forever. They are afraid people will find out bringing shame on their family.

The Truth...

The **truth** is that the vast majority of people who file bankruptcy are able to retain their home, their autos and all of their personal property. This is the result of exemptions that are available under state and federal law. More on that later.

The truth is most people end up with a **better credit rating** after they file bankruptcy.

And the truth is there is **no shame** in filing bankruptcy.

The bankruptcy law was created to help **people just like you** get a fresh start.

The Surprising Truth About Bankruptcy

For over 35 years, I've been helping people just like you face their financial problems head on.

I know it's scary. I also know that you have a lot of questions that need to be answered before you can decide on the best course of action to **take your life back** and give your family a real fresh start.

That's **one of the reasons** I wrote this e-book. I also know that as you read over this e-book you will have a lot more questions.

If you are ready, please feel free to call my office and schedule a complementary strategy session so we can sit down and come up with a customized plan for you. On the other hand, you might not be ready to take that step yet.

That's OK. I get it.

You will probably have more questions after reading this e-book, and that is why we have put together a free video series that will answer some of those questions. So, be sure to watch your email.

And when you are ready to sit down and talk over the phone or in person - I'll be here.

You can reach me at (502) 485-9200.

Sincerely,

Richard A. Schwartz

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Louisville, KY 40205

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There Are Different Types of Bankruptcy

There are several different types of bankruptcy, but chapter 7 and chapter 13 are the two most common for consumers. Their name are based on the chapter where they appear in the federal bankruptcy code.

Chapter 7

Chapter 7 bankruptcy is what most people think of when they think of bankruptcy. It is a liquidation bankruptcy in which the debtor receives a discharge of its debts. That means the debts are legally eliminated and you never have to pay them. There are a few types of debts that cannot be eliminated, which we will discuss later, but most debts can be wiped out.

To qualify for this type of bankruptcy, you must pass the means test, which requires showing that your income is below that of the median household income of a household that is the same size as yours or that, based on your particular income and expenses, you do not have enough discretionary funds to pay off your debt. There are a lot of factors that go into the formula, so I would suggest that you seek competent legal advice to determine whether you qualify, rather than trying to figure it out for yourself.

Although Chapter 7 is technically a liquidation proceeding, meaning that there is a trustee appointed who could potentially sell off some of your assets, in reality the vast majority of people who file Chapter 7 bankruptcy are able to retain all of their property. This is a result of federal and state exemptions that are available to you. More on that later.

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Chapter 13

In a **chapter 13 bankruptcy**, you enter into a repayment plan for three or five years. You make a monthly payment that the bankruptcy trustee distributes to your creditors according to the bankruptcy plan.

After the repayment period, any remaining debts that are part of your bankruptcy are discharged. This is good solution for someone who can pay some of their debts but needs lower payments. This type of bankruptcy can also be used to save your house or your automobile when the payments have fallen behind, and you are being threatened with repossession or foreclosure.

Unlike Chapter 7, Chapter 13 can get your house out of foreclosure. It can even be used to discharge certain debts that cannot be eliminated through Chapter 7. Finally, another advantage of Chapter 13 is that your legal fees can be included in the payment plan.



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You May Be Able To Save Your Home

Many people who file bankruptcy worry that they may lose their home in the process. However, most people are actually able to keep their homes. If you file Chapter 7 and you are up to date on your mortgage payments, you will be able to keep your home provided that the amount of equity you have in the home is equal to or less than the homestead exemption to which you are entitled. Exemptions are discussed later. In this instance, you simply continue making your regular mortgage payments and you would keep your home. This is called reaffirming the debt. If on the other hand your equity exceeds the amount of your homestead exemption, you could still keep your home if you filed for Chapter 13. For in Chapter 13, you are allowed to retain not only exempt property but non-exempt property as well, so long as you meet certain requirements in terms of the payback of your debt.



Most people are able to keep their homes.

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You May Be Able To Protect Other Assets, Too

Even though chapter 7 bankruptcy is referred to as “liquidation” bankruptcy, most people are able to have their debts discharged under chapter 7 without losing any property in the process. This is because there are bankruptcy exemptions that protect certain property from being sold off.

Sometimes the exemptions have limits on the value they protect. If the equity in the property is equal to or less than the available exemption amount, you can keep the property under chapter 7. In Chapter 13 bankruptcy, the amount you pay your creditors will be determined by the value of any property that is not covered by an exemption.

Bankruptcy exemptions vary by state. Contact our office to learn more about the exemptions available to you based on your situation.



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You May Not Be Able To Discharge All Of Your Debts

It is important to understand that most all debts may be discharged through bankruptcy. However, there are exceptions, so be sure that you speak to your bankruptcy lawyer so that you can understand your particular situation. He or she can recommend the type of bankruptcy that is best suited to your situation and try to discharge as much of your debt as possible.

Debts that are generally not dischargeable in bankruptcy include:

- Alimony & Child support
- Most Student Loans
- Certain tax debts and other government obligations
- Criminal fines & Restitution

The following debts may sometimes be discharged through Chapter 13 bankruptcy:

- Certain tax debts
- Marital debts stemming from a divorce or settlement agreement, other than alimony or child support

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Your Employer Cannot Discriminate Against You Because Of Filing Bankruptcy

Under the federal law, an employer cannot fire you or otherwise discriminate against you because you filed bankruptcy. See 11 U.S. Code § 525. If your employer has threatened to fire you for filing bankruptcy or not paying a debt discharged under a bankruptcy filing, contact a lawyer for assistance to protect your rights. Likewise, a prospective employer cannot deny you employment based solely on having filed bankruptcy.

You Should Avoid Debt Management Plans

You may have heard of so-called “debt management plans” that promise to reduce the amount of debt you owe significantly. However, there are several reasons consumers should avoid such plans.

Creditors Do Not Have To Agree

First, these plans are voluntary arrangements with creditors. This means that the creditors do not have to agree to the terms you are proposing. In many instances, only some of a person’s creditors agree to this arrangement while others do not. The person may be sued by one of the creditors that did not agree to the arrangement after the consumer has paid thousands of dollars in settling other debt. In these situations, it is usually better for the consumer to file bankruptcy and include all the debts in the filing to receive maximum debt relief.

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May Damage Your Credit More Than Bankruptcy

Another problem with these plans is that they may harm your credit more than filing for bankruptcy. They will recommend that you stop making payments on your debt, which can cause major damage to your credit.

Tax Ramifications

Lastly, even if some of the debt is settled, there may be negative tax ramifications because the debt that is written off is usually considered taxable income, as opposed to discharging the debt through bankruptcy, which does not have negative tax ramifications.

There may be some instances where these programs are beneficial, such as where you do not qualify for bankruptcy for some reason. But in most instances, bankruptcy is going to be a better option and actually better for your credit.



Important

Debt management plans may harm your credit more than filing for bankruptcy.

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Your Credit Will Not Be Affected Forever

Some people are worried about the impact that a bankruptcy filing will have on their credit. A chapter 13 bankruptcy generally remains on your credit report for seven years while a chapter 7 remains on your credit for ten years. However, the effect of a bankruptcy filing may not be as long.

When you file for bankruptcy, you are taking an active approach to address your financial situation, so you can avoid additional negative marks for non-payment or late payments. If your credit was poor prior to filing bankruptcy, there may not be a negative impact on your credit score. It is also not unusual for a person's score to quickly rebound or even increase shortly after filing bankruptcy. A bankruptcy filing also has less impact on your credit score over time.

If you are concerned about how bankruptcy may impact your credit score, speak to a knowledgeable bankruptcy lawyer about the best ways to minimize negative effects. You may also be able to reestablish your credit after filing for bankruptcy to create a fresh start for yourself.

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The Most Important Thing You Need To Know

Are creditors calling nonstop? Are you losing sleep thinking about bills? Are your days filled with stress because of your financial problems?

If debt has taken over your life, then **it's time** to ask yourself a question.

If you had a chance to have your debt wiped away, keep your home, autos, and retirement savings, and give your family a real fresh start, would you take it?

If you answered yes to any of those questions, then at this point you really only have **two options**.

Option #1

You could allow fear to keep you from getting help and continue living with the stress and uncertainty of the debt that is weighing so heavily on your shoulders.

Option #2

You can take the next step and learn more about whether bankruptcy is right for you. Call my office and schedule a free consultation. I will answer all your questions based on your situation so that you can make an informed decision about what to do next.

Call 502-485-9200 and rest a little easier tonight knowing you have taken the first step to taking your life back!

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Richard A. Schwartz

Richard Schwartz is a partner with Schwartz Bankruptcy Law Center, with offices in Louisville, Kentucky, and New Albany, Indiana. Mr. Schwartz focuses his practice solely on bankruptcy law, and has more than 36 years of experience helping clients find relief from their overwhelming debt.

In honor of his outstanding professionalism and superior client service, Mr. Schwartz has earned an AV-Preeminent peer review rating* from Martindale-Hubbell as well as other top rankings and endorsements from his peers. He has received numerous positive reviews and referrals from satisfied clients who remark about his willingness to go above and beyond what is necessary to help them achieve their goals.

A leader in his legal community, Mr. Schwartz has served as chair of the Louisville Bar Association's Bankruptcy Section, and he is a member of the National Association of Consumer Bankruptcy Attorneys and the American Bankruptcy Institute, among his other professional affiliations. He also volunteers his time and service with the CARE Program sponsored by the Louisville Bar Association.

Honors/Awards

AV Rated Preeminent,
Martindale-Hubbell, 2014

Super Lawyers, 2021

Bar/Professional

Chairman of the Bankruptcy
Section, Louisville Bar
Association

American Bankruptcy
Institute, Member since 1995

The National Association of
Consumer Bankruptcy
Attorneys, Member since
1996

Indiana, 1985

Kentucky, 1984



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April Satow

April Satow recently joined the firm as an attorney after having worked with the firm for over 19 years as a paralegal and law clerk. She attended the University of Louisville Brandeis School of Law, graduating magna cum laude.

While in law school, she served as an Academic Fellow, assisting other students in gaining skills to be successful in their law school careers. She also served as a legal extern at Legal Aid Society, working in the Economic Stability Unit. While at Legal Aid, April assisted in many expungement of record cases. She is also the former President of a Board of Directors for a non-profit ministry organization.

During her tenure at Kruger & Schwartz, April has primarily worked on consumer bankruptcy cases, assisting the firm in protecting the rights and interests of consumers.

Education

Indiana University Southeast,
Bachelor of General Studies,
2000.

University of Louisville,
Brandeis School of Law,
magna cum laude, 2020.

Distinction

CALI Award for academic
excellence

Admissions

Indiana, 2020

Southern District of
Indiana, 2020

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