

Ken: These days a lot of people are contemplating bankruptcy. How do you know when it is time to file for bankruptcy?

Jon: For each individual the situation is a little different, but I have a rule of thumb. The rule of thumb is that when your debt load, which includes unsecured debt, medical bills, taxes, credit cards, etc., are more than what you make in an entire year, bankruptcy is usually the right course for you. The reason is because the interest is still running on that money and bankruptcy gives you and your family an opportunity for a fresh start.

Ken: Now, regardless of the circumstances, is anyone eligible to file for bankruptcy? Are there certain rules and laws you have to follow?

Jon: Pretty much everybody is eligible. In 2005, congress changed the law about who is eligible to file for a Chapter 7 bankruptcy. This is the type of bankruptcy that allows you to start over "tomorrow." The Chapter 13 bankruptcy, the type of bankruptcy that has you make repayments over a period of three to five years is still available to almost everyone else.

Ken: A lot of people who think they are going to file for bankruptcy get concerned about the fact that they are going to have absolutely nothing left after it is over. That is not necessarily true, is it?

Jon: It is not. In fact, 97% of people who file for a Chapter 7 type of bankruptcy keep everything they have. The reason is that state laws protect people from having nothing at all. The idea is that when you start over you need some basic things. For example, home furnishings are protected up to \$4000, a car is protected up to \$5000, and the family homestead is protected up to \$150,000. In the old days when people actually had equity in their houses that was a nice protection. Now, at least in Arizona, it may be the least relevant.

Ken: If people are thinking about filing for bankruptcy and trying to plan it, what are some things that people should try and get in order before they actually file?

Jon: Well, what is not atypical is that people will have their "last" money that they are living on. When they are getting ready to file for bankruptcy they learn that Arizona law only protects \$150 in their bank account. Why so little? 50 years ago when they passed the law \$150 was not so bad. But, they have not changed the limit so that is all you can have. Planning ahead and moving money into exempt assets like your house and car is really important because otherwise you will lose that money to your creditors when you file.

Ken: Let's suppose you have several credit cards and you paid them off. You do not owe them anything. Can you still use those after you file?

Jon: When you file your bankruptcy petition, creditors you do not owe any money to are not listed at all. But, the credit card companies are savvy about this and are always checking your credit report. I tell everyone to not pay off their credit cards with the intention of filing bankruptcy and keeping that particular card because it will get shut off anyway.

Ken: Do you find that most of the people who come to your office to ask about bankruptcy are a little confused about it?

Jon: They are but there is definitely a lot of misinformation about it. This year in particular there are going to be about 30% more bankruptcies than divorces. Everyone is more than happy to talk to you about their divorce, but bankruptcy on the other hand gets a lot less discussion. The result is that most people have a lot of misinformation about it.

Ken: To find out more they can come to see you of course. What are the various ways to get in touch with you?

Jon: People can get in touch with us either online at [www.discreetbk.com](http://www.discreetbk.com) or by phone at (480) 295-3470. The website is a great place to get a little more information and they can always meet with an attorney at our office free of charge.