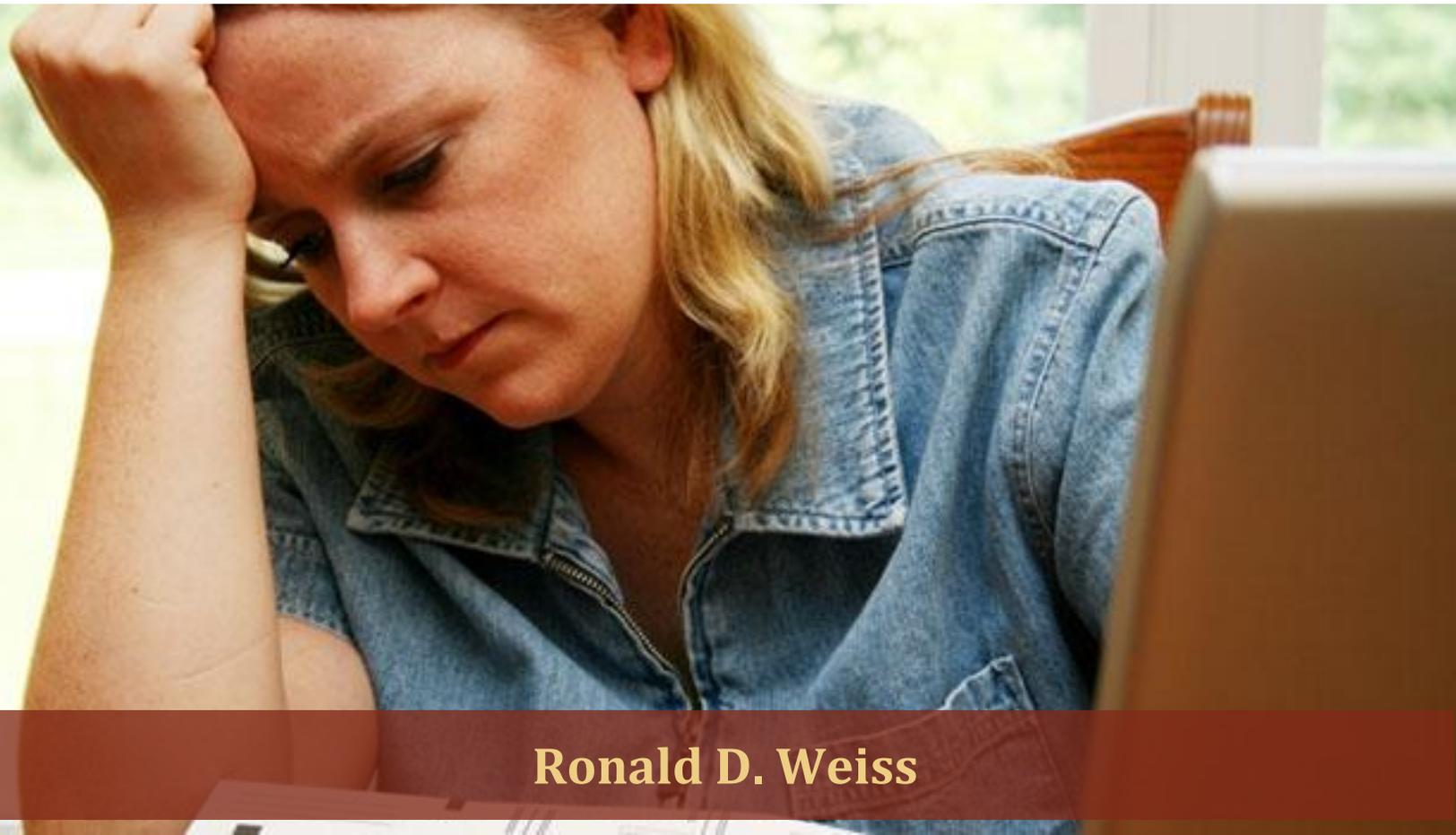


BANKRUPTCY IN NEW YORK

TOP MISTAKES PEOPLE MAKE BEFORE TALKING WITH A LAWYER

If You Are Facing Financial Struggles, You Need to Know the Legal Protections that are Available to You and Avoid Making Mistakes that Could Cost You Money and Jeopardize Your Future Financial Security



Ronald D. Weiss



Bankruptcy can provide the best solution under many circumstances when you are in debt. Unfortunately, sometimes people do not understand how the bankruptcy laws will help them or how they can file for bankruptcy to get protection from creditors.

If you are facing financial struggles, you need to know the legal protections that are available to you and avoid making mistakes that could cost you money and jeopardize your future financial security. An experienced bankruptcy lawyer can provide assistance to those who are dealing with debt problems and can help ensure that mistakes are avoided.

Top Mistakes People Make Before Talking with a Bankruptcy Lawyer

Some of the top mistakes that people make prior to talking with a bankruptcy lawyer include the following:

- **Cashing out retirement accounts to pay debts.**

If you have debt problems, you may be tempted to cash out a 401(K) or an IRA in order to pay your bills. This is almost always a very bad idea. When you file for protection under the bankruptcy code, the rules allow you to keep all of the money in



your retirement accounts. If you take money out of your retirement accounts, it will be difficult or impossible to ever catch back up because you will lose the opportunity to earn compound interest over time. You will also face significant taxes and penalties for withdrawing the money from your retirement accounts early.

Instead of jeopardizing your right to a secure retirement, you should use the protections that are built into the legal system. If your debts are too much for you to pay, use bankruptcy to discharge them or enter into a repayment plan to reduce the amount you owe.

- **Taking out a home equity loan or second mortgage to pay debts**



Equity in your home is protected when you file for bankruptcy because you should not have to lose your house just because of debt problems. If you take out a home equity loan or a second mortgage to pay back personal loans or credit cards, you turn these unsecured debts into secured debts.

While you previously may have been able to reduce the balance of those debts or even have the balance discharged, you will now need to repay the money in order to avoid losing your home.

Just like cashing in your retirement account, draining the equity in your home is a terrible solution to a debt problem that can make your financial situation much worse.

- **Continuing to make payments that don't reduce your loan balances**

For many people with significant debts, the monthly payments that they make do not reduce the balance due on the loan. If your entire payment is being eaten up by interests and fees every month, you could end up paying for years without ever doing anything to reduce your debts. Don't let this happen to you. Get the

debts discharged or enter into a repayment plan so you do not keep throwing your money away.

- **Giving away property or possessions**

If you give away your property or try to transfer assets, this creates significant problems. When you file for Chapter 7 bankruptcy, the law requires some non-exempt assets to be sold so the money can be used to repay creditors. The trustee in your bankruptcy will look at recent financial transactions to ensure you have not given away property that should have become part of the bankruptcy estate. If there were transactions that were improper, the transactions may be reversed or your bankruptcy could be jeopardized.

- **Letting debt collectors bully you into payments you cannot afford**



When you do not have the money to pay all of your bills, you need to prioritize which debts are most important to pay. After taking care of food and essential medical needs, you should always pay your house and car payment first. If

you can get or stay current on these debts, you should be able to keep the home and vehicle in most bankruptcies. If you are behind or don't pay these debts, you may lose the home or car.

It is far better to skip paying credit card debt or other unsecured debts that may be discharged or reduced in bankruptcy so you can stay current on secured debt. Do not let creditors bully or intimidate you into making a payment when you know it is not in your best interests to do so. When you file for bankruptcy, the collection activity must stop. If you are under too much stress because of collection calls, now may be the time to contact your bankruptcy lawyer for help.

About the Author

Ronald D. Weiss, Esq.



Ronald D. Weiss, Esq., is an attorney who since 1987 has specialized in bankruptcy solutions, foreclosure solutions, and modification and negotiation solutions for individuals and businesses in the greater Long Island and New York areas undergoing financial hardship.

Mr. Weiss is a member of the American Bankruptcy Institute, the National Association of Consumer Bankruptcy Attorneys, the Suffolk County Bar Association and the Nassau County Bar Association, and is admitted to practice in the State of New York, the State of Connecticut, and the federal courts for the Eastern and Southern Districts of New York. Mr. Weiss is a 1988 graduate of New York University School of Law where he was a recipient of the Galgay Fellowship in Bankruptcy and Reorganization Law and has published several law journal articles. Mr. Weiss' past experience includes having been a law clerk to the Honorable Prudence B. Abram, a United States Bankruptcy Judge in the Southern District of New York, and having practiced corporate bankruptcy law at several large Manhattan law firms, including Moses & Singer, LLP, and Walter, Conston, Alexander & Green, P.C. Mr. Weiss later worked for Fischhoff, Gelberg & Director in Garden City, NY where he had practiced consumer and business bankruptcy before starting the Law Office of Ronald D. Weiss, P.C.

Mr. Weiss started the Law Office of Ronald D. Weiss, P.C. in 1993, which has been located in Melville, New York since its inception.

Please call us at (631) 479-2455, or e-mail us at weiss@ny-bankruptcy.com for a free consultation to discuss your legal options in greater detail.

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