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Total Financial Planning

TOTAL FINANCIAL PLANNING

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B A N K R U P T C Y

WHAT YOU NEED TO KNOW!

Broke. Penniless. Upside down. Strapped. Busted. Hard up. Empty pockets. Bankrupt.

Whatever you call it, not a place you want to be. If you are overwhelmed with debt, and don't see a way of paying what you owe, you may want to consider filing bankruptcy. It is a way of getting a fresh start. It starts with filing a petition in federal court. When you file, you get an immediate stay which halts all creditors' actions against you including foreclosures, lawsuits and wage garnishments.

Types of Bankruptcy Filings

Chapter 7

Chapter 7 lets individuals discharge unsecured debts they owe. Meaning they don't have to pay them back. Examples are credit cards and medical bills. Not all debt can be wiped clean. First, you have to try to pay back as much as you can by liquidating any investments you have and other non-essential assets you have. You get to keep essential assets such as retirement accounts (up to a limit), house, car and furniture. To qualify for Chapter 7, your income must be less than your state's median income, so not everyone is eligible.

Chapter 13

We'll skip Chapter 11 since it is for business, and look at Chapter 13. If you don't qualify for Chapter 7, consider this option. It allows you to catch your breath and negotiate a plan for debt repayment, usually a 3-5 year plan. You don't have to sell your assets either. You do have to have regular income and your total debt must be less than $2.75M. This option often reduces the amount you owe on unsecured debt through negotiations.

Discharging Debt

A discharge is when a debt you owe is wiped off the books after you've met the terms of the bankruptcy court. Some debts can't be discharged. These include child support, taxes, alimony, student loans, court fines & judgements, as well as liens against property. Creditors often challenge bankruptcy filings in court so your right to discharge debt isn't automatic just because you file bankruptcy.

Pros and Cons

The pros are a re-negotiation of unsecured debt, even a possible discharge. Certain types of assets you have can be shielded from creditors and a stay in which collection efforts must stop. The negatives are significant damage to your credit (7 years on your credit report for Chapter 13 and 10 for Chapter 7), loss of non-exempt assets, and your reputation being damaged as someone that couldn't manage money (rightly or wrongly).

Bankruptcy Alternatives

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Happy May 2025! Memorial Day is the unofficial kickoff of summer, with the kids out of school and the start of summer grilling season. Many people flock to theme parks, which we have a lot of here in Central Florida. Epic Universe is the latest one to open. It is considered Universal's third theme park in Orlando (fourth if you include the water park). Here are the Top 10 Theme Parks in the world ranked by attendance in 2023:

1. Magic Kingdom, WDW Orlando, 17.72 million.
2. Disneyland CA 17.25 M
3. Universal Studios Japan, Osaka, Japan 16 million
4. Tokyo Disneyland, Tokyo Japan 15.10 million
5. Tokyo DisneySea, Tokyo Japan 13 million
6. Disneyland Paris, Marne-la-Vallee, France 10.4 M
7. EPCOT, WDW, Orlando, 11.98 million
8. Shanghai Disneyland, Shanghai China 11 million
9. Disney Hollywood Studios, WDW Orlando 10.8 M
10. Disney Animal Kingdom, WDW Orlando 10.3 M

NICK SABAN'S 3 LIFE LESSONS

Nick Saban is a legendary college football coach, having won National Championships at LSU & The University of Alabama. In fact, he won 6 at Bama alone!

He recently made a speech to graduates at Alabama. Here is the transcript:

"When you embark on this journey, there's 3 things that I think always helped me. First of all, **have compassion for other people**. Treat people like you would like to be treated. Treat people nicely on your way up, you might meet them on the way down. So, it's nice to be important, but it's also more important to be nice. So, that was the first thing, compassion for other people.

The 2nd thing is **be responsible for your own self-determination**. You gotta earn it. Don't look at somebody else. Don't blame somebody else. Be responsible for your own self-determination & have accountability for what your job is & what you need to do.

And the last thing is it's not about beating the other guy. It's not about being better than somebody else. **It's about you being the best you can be**. When I was a kid we won 26 games in a row in Pop Warner, and then won 30-something games in high school in a row. And it was never good enough for my dad and I didn't understand that. But my dad said, 'It's not about beating the other guy. It's about you being the best you can be at whatever you choose to do."

Saban also shares a story with his team every year when they start the season. It's about MLK and the street sweeper. Saban says MLK first starts with the shoeshine story. "There's a shoeshine guy in Montgomery, Alabama at the GreenStamp store who's the only guy I'll let shine my shoes. That's because the pride in performance the guy has in shining my shoes and the great feeling he has when you tell him he did a great job. He goes on to say that if you're going to be a street sweeper, be the best street sweeper in the world. Sweep the streets like Michelangelo painted the Sistine Chapel, like Shakespeare wrote literature. Force them to post a sign that says 'The best street sweeper in the world lives here'. If you do that, you accomplish the best there is in life which is knowing you did your best to be the best you could be, no matter what you choose to do. That's a challenge. Because human nature is just to survive. It's not to win the championship, it's not to be special, it's not to have the best business. It's just to do good enough."

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Negotiate!
Talk to your creditors about your money problems. Many would rather work with you than receive nothing in a bankruptcy. You can negotiate down your debt, minimum payments or your loan rate. You may get a negative mark on your credit however it won't be as detrimental as a bankruptcy.
Even the IRS will negotiate with will work with you on what you owe. They can be flexible with a payment plan to allow you to get on your feet and pay back at a pace you can afford.
Mortgage Forbearance
If you are behind on your mortgage, many lenders will work with you on a forbearance. That is a pause in payments to give you a chance to catch your breath. They obviously would prefer this to a foreclosure.

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I have been quoted in the following publications:

CNBC Reader's Digest MarketWatch wealthtender insurancenewsnet.com

Flashback 20 Years Ago This Month

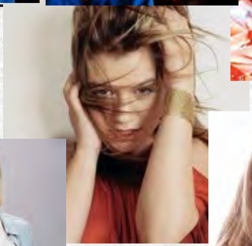
MOVIES: May 2005

- **Staw Wars: Episode III - Revenge of the Sith**....As the Clone Wars nears its end, Obi-Wan Kenobi pursues a new threat, while Anakin Skywalker is lured by Chancellor Palpatine into a sinister plot for galactic domination. Stars Natalie Portman, Ewan McGregor and Samuel L. Jackson.
- **Madagascar**.....A group of animals who have spent all their life in a New York zoo end up in the jungles of Madagascar, and must adjust to living in the wild. Chris Rock and Ben Stiller are some of the voices.
- **Monster-In-Law.....**A woman's (Jennifer Lopez) love life is reduced to an endless string of disastrous blind dates--until she meets the perfect man. Unfortunately, his merciless mother (Jane Fonda) will do anything to destroy their relationship. Comedy. Romance.
- **The Longest Yard.....**Prison inmates form a football team to challenge the prison guards. This comedy stars Adam Sandler and Burt Reynolds (RIP).

MUSIC

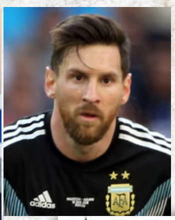
Billboard Hot 100: May 2005!!

- **Hollaback Girl (Gwen Stefani)**
- **We Belong Together (Mariah Carey)**
- **Since U Been Gone (Kelly Clarkson)**



NEWS/SPORTS/CELEBRITY

- 17-year old Lionel Messi scores his 1st senior league goal for FC Barcelona.
- Liberal commentary website The Huffington Post is launched.
- A hand grenade thrown by Vladimir Arutyunia lands about 65 feet from U.S. President George W. Bush while giving a speech to a crowd in Tbilisi, Georgia. It malfunctions and does not detonate.
- Kuwait permits women's suffrage in a 35-23 National Assembly vote. Saudi Arabia was the last country to allow women to vote and did so in 2015.
- Gordon Ramsay first appears on US television in cooking competition show "Hell's Kitchen" on Fox.
- Oscar-winning actress Renée Zellweger (36) weds country-music heartthrob singer Kenny Chesney (37) on the island of St. John in the U.S. Virgin Islands
- Model Heidi Klum (31) weds singer-songwriter Seal (42); divorce in 2014.



Questions? Call Alexis' cell 407-729-8516

Q: We are getting older and would like to give our kids our house before we pass. We bought years ago for $150k and it is worth $750k now. We want them to avoid the hassles of probate as well as any taxes owed on the transfer. What do you think?

Don't do it!

When you pass away, your children generally get a “step-up in basis” to the current value.

If they sell it upon taking ownership, they won't owe capital gains tax as their new cost basis is the new value of $750k.

This step-up concept also applies for other investments such as stocks.

The property will have to go through probate unless you change the deed. If you create a "Life Estate Deed" and name your kids as the "remaindermen", you can avoid probate and the house passes directly to them. Very similar to a "payable on death" direction on a bank account.

This Life Estate Deed is also colloquially called a "Lady Bird Deed". Presumably after Lady Bird Johnson, the wife of former President Lyndon Johnson.

If you gift the home to your kids before you pass, they inherit the original basis of $150,000 and would owe up to $600,000 in capital gains when they sell.

Idiom Of The Month

"SPLITTING HAIRS"

The idiom **"splitting hairs"** refers to making overly detailed or trivial distinctions, focusing on insignificant details rather than the main point of the matter. Think someone nitpicking a point.

"I was 43 minutes late, not 45!"

Often, the objections are valid but they don't address the main point. They oppose the argument from a technicality point of view. Usually a small, irrelevant part of the main argument. You draw attention away from the main point by calling out a small point that is technically incorrect.

"Ok, you were 43 minutes late and not 45 but the point is you were very late..so stop splitting hairs!"

Origins:
The phrase originates from the literal act of splitting a single hair, an extremely difficult & meticulous task that serves little practical purpose. Its earliest known use in English dates back to the 16th century, evolving from earlier expressions that emphasized precision to the point of being absurd.

It remains widely used today, often in discussions where someone is seen as dodging the main issue by focusing on minor details.

FINANCIAL TRIVIA

1. What is the "trashier" name for a "high yield bond" that is typically issued by companies with low credit ratings?
2. If you are short on cash, a HELOC is a good way to finance a home renovation. What does it stand for?
3. A popular way to attain exposure to a wide array of investments, what does the financial term ETF stand for?
4. The southern most ATMs in the world is at McMurdo station in Antarctica. What currency does it dispense?
5. The home stadium of the NFL's Los Angeles Rams and Los Angeles Chargers is named after what San Francisco-based online banking company founded in 2011.
6. In the 1980s, Michael Milken rose to prominence by trading what type of bonds?
7. In 2021, which Central American country became the first country to recognize cryptocurrency as legal tender?
8. What is the "C" title for a management-level position responsible for supervising the quality of accounting and financial reporting of an organization?
9. What's the 4th-largest mortgage lender in the US in 2024, which was a bank founded in California in the 1850s?
10. Hedge fund manager Bobby Axelrod's aggressive attempts to make money, and US Attorney Chuck Rhoades' aggressive attempts to prosecute him, is the premise of which Showtime TV Series?
11. What term that contains a state of matter refers to the ease with which an asset can be converted to cash?
12. "Munis" is a nickname for what bond that governments use to help cities/states fund projects like roads?
13. What cryptocurrency exchange collapsed in 2022 due to fraud and mismanagement by Sam Bankman-Fried?

Answers:
1. Junk Bond 2. Home Equity Line of Credit 3. Exchange Traded Fund 4. US Dollar 5. SoFi 6. High-Yield or Junk Bonds 7. El Salvador 8. Comptroller 9. Wells Fargo 10. Billions 11. Liquidity 12. Municipal 13. FTX