



“Personal Asset Exemptions During Business Failure or Bankruptcy”

André Larabie

When a business goes bad and bankruptcy looms, not every personal asset is qualified to be a prospective target for your creditors or the bankruptcy court. Some assets are recognized by the legal system as shielded from creditors.

However, it is important to understand that even though some asset is protected, it does not mean that you will not lose it. Even though the bankruptcy court will not take it directly, you may end up losing it. For example, suppose that you have promised your son that you will put him through college no matter what happens. Then suppose that the court takes away all the money in your bank account but leaves your house because it is “protected.” Since you no longer have the money to put your son through college, you decide to sell your house and rent. This frees up money for his education, but it also takes away your house.

Here is a list of assets that, in general, cannot be taken away from you personally. Note that laws vary across different states, and various federal laws may apply, so there are likely differences related to your specific location.

- Your primary residence
- Items in your home
- Tools and equipment you use to make a living
- Life insurance policies
- Your motor vehicles
- Certain retirement accounts

Again, as with the other liability issues associated with a turnaround situation, there are subtleties and nuances involved in the protection of personal assets, so you should consult with a professional about your



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particular situation.

Ideally, you should be proactive about this and your consultation should take place long before there is any need for turnaround actions. This type of planning goes with the territory of owning and running a business, or with holding a leadership position in a corporation or other business entity.