

KREKELER LAW REPORT



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QUESTIONS MOTHERS ASK ABOUT THE EFFECT OF BANKRUPTCY ON THEIR CHILDREN

Mothers bring us into this world, nurture us, guide us, and love us unconditionally. They work long hours for no pay, and often sacrifice without any expectation of reward. Thank You, Moms.

Mothers worry about their children, and that worry extends to dealing with financial problems. I often have to explain to mothers how a bankruptcy filing may affect their children. This month, we answer some of the more common questions to come up.

Will my children lose their property?

Children rarely have extensive property interests, but often have bank accounts funded with money from grandparents or from birthdays or graduations. Gifts received from friends and relatives are the property of the child, and are not included in your bankruptcy estate.

Be careful with joint accounts, however. Such accounts could be included in your bankruptcy estate, and should be dealt with in advance of filing. We counsel our clients to be custodians of a child's bank account, rather than co-owners.

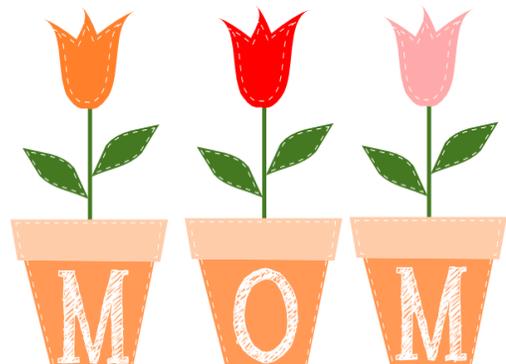
What will happen to the child support I am supposed to receive if my ex-spouse files bankruptcy?

Child support obligations are not dischargeable in bankruptcy. In a Chapter 7 case in which assets will be liquidated and the proceeds distributed to creditors, child support arrearages should be paid first. In a Chapter 13 case, the child support arrearages must be paid in full and the current child support payments must continue to be made timely.

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WHAT SPORTS CAN TEACH US ABOUT SYSTEMS

The NBA playoffs are well under way as I write this. The San Antonio Spurs just won their series against the Houston Rockets, and now face the Golden State Warriors in the Western Conference Finals. The Spurs have won 5 NBA titles in the last 17 years, and have reached the playoffs in 19 consecutive years.

The New England Patriots won the Super Bowl this year. They have won 5 Super Bowls in the last 15 years and have reached the NFL Playoffs 14 of the last 16 years, including the last 9 years in a row. Each of these teams has had only one coach during these remarkable runs of success.

Both coaches, Greg Popovich for the Spurs and Bill Belichick for the Patriots, are widely acclaimed as the best or among the best of all time in their sport. In no small measure this is due to the fact that their teams have been consistently able to overcome adverse circumstances to win titles. Retirements or injuries occur to all teams, but these two seem best able to cope with these disruptions. So how do they do it?

Both organizations have strictly enforced and widely accepted cultures. The systems they employ are internalized by their players. This enables the players to step up and perform when a star or a starter is injured.

There is no reason that law firms cannot function in the same manner and with the same high level of success. Doing so requires the adoption and implementation of well-planned and efficient systems. These systems and procedures must be embraced by everyone in the organization. When this happens, the culture of the firm promotes its systems and focuses on ways to improve them.

Systems run businesses, and people manage systems. If everyone in your organization is always looking for ways to improve your systems, you will experience continual small improvements in everything you do. If an employee is gone abruptly on a family leave emergency, someone else can follow the system and perform.

We try to follow the examples of the Spurs and the Patriots, and employ systems designed to help our practice and our clients. If you have ideas or suggestions we can use, we would love to hear from you.

IN OTHER SPORTS NEWS...

National Hockey League playoffs are also under way. The Columbus Blue Jackets were knocked out in the first round, but that loss was probably not as stunning as what was suffered by Jack Johnson, one of the team's defensemen. Johnson recently reached a settlement in his bankruptcy case which reportedly will require the payment to his creditors of most of his \$5 Million annual salary for the next two years.

Johnson filed under Chapter 11, which required him to submit a Plan to pay creditors. The Plan includes provisions for Johnson to sell homes in Michigan and California, as well as a Ferrari worth about \$125,000. He will "only" be allowed to keep about \$250,000 per year for his living expenses.

Johnson alleges that his parents took out millions of dollars of debt in his name, and without his knowledge. Despite these allegations, he has decided not to proceed with suit against them.

Johnson's story illustrates once again that no matter how well-off you may be, financial problems can be just around the corner.



QUESTIONS MOTHERS ASK... *Continued from Page 1*

Issues sometimes arise as to whether or not an obligation really is support. We regularly litigate this question for the benefit of our clients.

What will happen to the college savings account I created for my child?

Generally these funds will be fully protected. Wisconsin debtors get to choose what property they will get to keep from either a list created under Wisconsin law or a list under the federal bankruptcy code. Educational savings accounts are protected under the Wisconsin exemptions. Whether or not they are protected under the federal exemptions will depend upon the amount in the account and when the account was funded. Deposits made into the account within 1 year prior to the bankruptcy filing are not protected. Deposits made between 1-2 years prior to the bankruptcy filing are protected up to \$6,425. Deposits made more than 2 years prior to the bankruptcy filing are fully exempt.

Will I be able to continue to pay my child's tuition?

In a Chapter 7 case, yes. In a Chapter 13 case, you will likely be able to pay at least \$1,875 per year per child. You may be able to pay more. In all instances, the Court will not likely permit you to pay an unreasonable amount.

How will my bankruptcy filing affect the ability of my child to get a student loan for college?

Your bankruptcy filing should not affect your child's ability to obtain any need-based financial aid. This would include Pell grants and Stafford loans.

You may have a difficult time taking out student loans for your child, but you may still qualify for PLUS loans under some circumstances. If you are denied a PLUS loan, your child may actually qualify for an increased, unsubsidized Stafford loan.

Will my children be able to continue with their extracurricular activities?

Many children participate in sports, music, dance, science fairs, and other extracurricular activities that require expenditures. So long as these expenses are reasonable, you should be able to continue paying them. Our experience is that a bankruptcy filing usually means that there is more disposable income available for children's activities. By not having an oppressive debt load, children may be able to participate in activities they could not before, such as summer camp, sports clinics, or even education abroad. In some cases, the children can now get regular health exams or dental care which was neglected due to a lack of funds.

We also see that bankruptcy relieves the stress which comes from being in debt, receiving harassing calls, and being threatened with suit and garnishment. Children, no matter how young, sense and feel that same stress. It can affect both their emotional and physical health, and can adversely affect their schoolwork.

Bankruptcy filing, when needed, can have a major impact on children, and nearly all of it is beneficial. Please let me know if you have ideas or comments on this subject. Thank you.

NOTABLE MAY BIRTHDAY:

TAMMY WYNETTE

Tammy Wynette was born May 5, 1942, and became one of the best-known country singers. Her song, "Stand By Your Man", is one of the best-selling country music singles of all time.

Wynette's legendary career gave her fame and money. Unfortunately, Tammy invested in Florida shopping centers and the properties lost value. A judgment was entered against her and her husband.

Rather than have a U.S. Marshall seize property, Wynette and her husband quickly filed a Chapter 11 bankruptcy. Wynette had accumulated about \$1 million in other debts. Having 5 marriages and numerous physical ailments and surgeries did not help her financial situation. The bankruptcy did help, though, and she went on to continue performing live, in the studio, and on television. She designed and sold her own jewelry line.

Everyone from the most successful entertainers to the most humble workers may find themselves in financial trouble. That is why we have bankruptcy laws.

WHERE'S KREKELER ?

We are very excited to share that our very own Kristin Sederholm has been chosen to be honored as a 2017 Women in the Law recipient. She will be recognized in the Wisconsin Law Journal both in print and online. Attorney Sederholm and other recipients are also invited to a banquet at Discovery World on the Lake in Milwaukee where their success stories will be shared among hundreds of family and colleagues. Here is an excerpt from her nomination and why we here at Krekeler Strother are proud to have Attorney Sederholm on our team.

In a field saturated with men, Attorney Sederholm has helped pave the way for women to be an equal force. She has authored multiple educational materials to share her knowledge of Bankruptcy. She presents for the Volunteer Lawyer Project annually and from this offers continuous support for young lawyers just starting out. She teaches parallel to how she practices. Any colleague or mentee of Attorney Sederholm knows all mistakes can and should be avoided.

Attorney Sederholm takes all of this on while still managing to remember pies for the bake sale she is heading at her son's middle school, along with the extra fishing pole she needs to pack for a weekend fishing trip to Boulder Junction with her family. Her success story influences other women that work with her, to strive for that same work life balance. She has opened up the door to show that you can be a woman in the law. She models that you can succeed regardless of the route you take.



Kris' biography can be viewed on our website, www.ks-lawfirm.com.
We are proud to have her as a part of our Krekeler Law team.



Have a question? Idea for a future article?

If you ask for it – we will write it!

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