Trends: Creditors May Not Access IRAs Following Supreme Court Ruling

Ruling Bars Creditors: In a ruling issued last month by the U.S. Supreme Court, Individual Retirement Accounts, or IRAs, are protected from creditors in the case of bankruptcy.

The April ruling now means that if an individual files for bankruptcy, creditors will not be able to access their IRA to pay off debts.

Graydon Coghlan, the chief executive officer of **Coghlan Financial Group, LLC**, a La Jolla-based financial and retirement planning company, said that for small businesses this ruling is good news.

IRAs are a critical source of retirement savings for the self-employed, workers without company plans and those who have rolled over distributions from former employers.

"This is such an important ruling," he said. "It is extremely important for small and self-employed business owners because this is their primary source to save for retirement."

And for small businesses that are often in high-risk financial positions, they can now put money into their IRA without worrying it will be taken if disaster strikes.

Before the ruling, state law allowed California bankruptcy courts to decide how much of the IRA could be used to repay creditors.

The ruling, which was unanimously passed by the Supreme Court on April 4, overrides states and lower courts rulings and sets a uniform nationwide standard.

The ruling, however, applies only to bankruptcy creditors.