

Considerations When Bankruptcy Seems Like the Only Option

Bankruptcy seems like a great way to relieve you and your family from the burden created by debt – late fees, penalties, medical bills and credit cards. However, there are some long-lasting effects that need to be considered and ensure you're prepared to deal with before filing.

Many mistakenly believe that filing bankruptcy is quite easy. Although a popular option for debt handling, you must know that you will be required to meet with creditors and their representatives to justify your filing status.

This means that your personal financial records and history will be accessed and shared with others. In addition, your creditors will have the option of objecting to your claims, leaving a bankruptcy judge to determine which debts to include in the bankruptcy.

Long-term effects on your credit and everyday life will also need to be addressed. Though some debts will be totally eliminated or frozen, other creditors may close your accounts or credit lines with them when they see you have filed.

Filing bankruptcy may also not be a great option if you plan on buying a home or needing to apply for new credit in the near future. This is because the bankruptcy records will remain on your credit for at least the next seven to ten years, and will significantly lower your credit score.

You may also be required to forfeit items and property of value outside of your primary residence and automobile. This means that vacation homes, recreational vehicles, motorcycles, boats and jewelry may be turned over to your creditors that are included in the bankruptcy. This allows them to sell the items of value to try to recoup some of the losses in connection with your debt to them.

Some debts are not even able to be included in a bankruptcy. Student loans and back taxes not older than three years are just a couple of examples.

Filing is also not free. You will incur court and legal fees, not to mention time and energy spent away from work.

Taking all this in to consideration, you may still determine that bankruptcy is the only option for you. It will relieve you of harassing and bothersome collection efforts, garnishments and foreclosures.

It is still possible to rebuild a positive credit rating after filing bankruptcy, though you will need to be extremely strict and justify every one of your expenses in the future. Depending on which type of bankruptcy you file, you may be able to start saving more of your money for a rainy day, or start paying down your unsecured debts. Either one of these actions will develop healthy debt handling habits for your future well-being.

Bankruptcy requires careful consideration, and anyone in the position of possibly choosing this action should seek professional legal counsel. It is always well worth the effort to make a phone

call to a non-profit debt counseling agency to see if it is in fact possible to pay back your creditors and still avoid this black mark on your credit.