

Considering Bankruptcy? Don't Believe These Common Myths

National nonprofit credit counseling agency Take Charge America dispels misconceptions about consumer bankruptcy

PHOENIX- For Consumers-weighed down by debt, bankruptcy may sound like the perfect solution. But while it may seem like an easy fix, the repercussions can be steep. Add in the numerous myths about bankruptcy, and it can be challenging to know whether it's the right move.

"Bankruptcy should always be the last resort for people under financial stress," said Michael Sullivan, a personal financial consultant with Take Charge America, a national nonprofit credit and debt management agency. "But if you've exhausted alternatives and are considering bankruptcy, it's important to fully understand how the process works so you know what to expect."

Sullivan breaks down seven common bankruptcy myths:

- **Bankruptcy offers a fresh start.** Many people believe bankruptcy will cure their financial problems and eliminate all their debts. The truth isn't as rosy. Several debts cannot be discharged through bankruptcy including student loans, child support and alimony, criminal restitution and fraud debts. Additionally, a Chapter 13 filing requires some repayment. Bankruptcy also isn't cheap, costing upwards of a few thousand dollars. You also must go through bankruptcy counseling before and after you file.

- **I'll lose everything — even my job.** Bankruptcy laws vary by state, but each one includes exemptions for assets like homes, vehicles, household goods and retirement savings. Additionally, federal law prohibits termination of employment because of bankruptcy.

- **Spouses must file, too.** Depending on whose name is on the debt, spouses usually do not have to file to-

gether. However, if married couples have joint credit cards or debts, they will need to file together.

- **Your credit is ruined forever.** Although bankruptcy filings stay on your credit report for seven years under Chapter 13 and 10 years under Chapter 7, effects on your credit diminish over time before falling off your report.

- **I don't have enough debt to file.** Bankruptcy doesn't require a minimum amount of debt. It is a consideration for people who can't

pay their debts under normal circumstances with their existing income. Due to filing costs, however, low-debt individuals may not see any benefit.

- **Creditors will continue to harass me.** Federal law bans debtors from contacting you once you've filed bankruptcy.

- **I can spend recklessly before bankruptcy and won't have to repay it.** Not true. You can get into serious trouble if you do this. Spending with abandon prior to filing bankruptcy is considered fraud.

Consumers overwhelmed with debt may find guidance with a free online credit counseling session.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 2 million consumers nationwide manage their personal finances and debts. To learn more, visit takechargeamerica.org or call (888) 822-9193.

