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Dispelling Common Myths About Filing for Bankruptcy

It's understandable to have apprehensions about filing for Bankruptcy or submitting to any type of court procedure. Often, well-meaning but misguided friends can add to that stress by perpetuating myths about the Bankruptcy process. In this article, we'll dispel some of the more common fallacies about Bankruptcy.



1. Filing for Bankruptcy Will Solve My Money Problems

It may solve some of your money problems, but not all of them. It also depends on what type of Bankruptcy you qualify for. In a Chapter 7, you may be eligible for discharge of much of your consumer debt, but if you are ordered to pay child support or alimony, that will survive.

2. Filing for Bankruptcy Means I'm Bad With Money

Not necessarily. With the crash in the real estate market and the overall bad economy many people have found themselves needing help from the Bankruptcy court.

Deciding Which Type of Bankruptcy is Right For You

For individuals contemplating Bankruptcy, the two most common types are Chapter 7 and Chapter 13. There are a few general things you need to know to help you understand the difference based on your circumstances.



Chapter 7 Bankruptcy

Most individuals with consumer debt file under Chapter 7. At the conclusion of a Chapter 7, most debt will be eligible for discharge. It's this type of Bankruptcy that could, in theory, allow the debtor to make a fresh start. However, not all debtors qualify. If your income is too high, you may not be eligible, for example.

Chapter 13 Bankruptcy

A Chapter 13 Bankruptcy, if granted, allows a debtor to repay creditors under a payment plan, usually for a reduced amount. Those with higher incomes or who have previously filed for Chapter 7 may have to choose this option.

Troubleshoot Your Bankruptcy Filing

While many people feel apprehension about filing for Bankruptcy (or any court proceeding for that matter), the actual process generally goes smoothly. However, problems can arise that may trigger an audit or objections from creditors and could impact your case. Some problems to avoid include:



- 1. Make Sure Your Paperwork Is Accurate - Fully disclose assets and debts. Failure to do so is one of the number one reasons filings are rejected.
- 2. Do Not Try to Hide or Divest Assets - The Bankruptcy trustee will work to marshal all of your assets. Large gifts to family or friends just before filing raises suspicion.
- 3. File All Paperwork On Time - Bankruptcy deadlines are hard and fast. Failure to file on time can result in a dismissal of your case.

Your case is important to us. If we can't help you, we'll do our best to refer you to someone who can.

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