

TOP 10 TIPS FOR THOSE CONSIDERING BANKRUPTCY

It's easier than most of us realize to get buried in debt. Sometimes it's simply a case of living beyond one's means. But even the most responsible spender can be blindsided by unforeseen circumstances such as health problems, job loss or a natural disaster.

Those who can't pay their debts often consider bankruptcy. If you're thinking about filing, these ten tips are for you.

#1: Stop Taking on New Debt

If your debts have become unmanageable, the last thing you need to do is add to them. After considering your options, you may find that you can solve your problems without filing for bankruptcy. But the more debt you take on, the less likely it is that you'll be able to do so. Also, if you do file for bankruptcy in the near future, taking on new debt could hurt your case. You might end up having to repay that debt anyway, or even have your case thrown out.



#2: Look for Ways to Avoid Bankruptcy

In some cases, bankruptcy can be avoided with some adjustments to your budget. You'll have to make some sacrifices, or maybe take on a second job. But if you can pay your debts off on your own, it will save you from going to court and having a bankruptcy on your record.

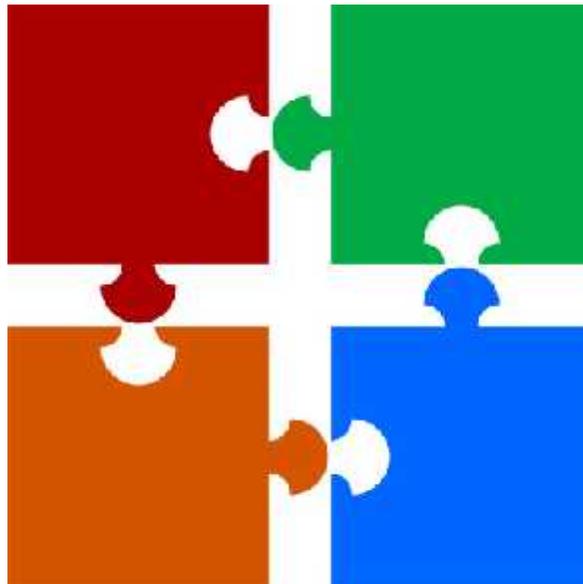
If your current payments are unmanageable or you're paying high interest, talk to your creditors and try to negotiate lower payments and interest. It's in their best interest to help you avoid bankruptcy, so they will probably be willing to work with you.



#3: Consolidate Your Debts

Another option for some debtors is to consolidate their debts. If you own your home, you may be able to get a home equity loan with a low interest rate and more manageable payments. Alternatively, you could transfer high-interest balances to a low-interest credit card.

Just remember to avoid taking on more debt than you already have, and pay as much as you can toward your current debt each month, not just the minimum payment.



#4: Avoid Scams

Unfortunately, there are people and companies that prey on those who are considering bankruptcy in an effort to make a quick buck.

Beware of agencies that promise to repair your credit for a fee. All they can do is have negative entries removed from your credit report, and they are often unsuccessful since the entries are usually accurate. And even if they do get entries removed, they're not doing anything that you couldn't do on your own for free.

Also be leery of debt settlement and credit counseling companies. Some are legitimate, but scams are common in these fields.



#5: Know the Implications of Filing Bankruptcy

When you file bankruptcy, you'll stop getting calls from creditors. Depending on the type of bankruptcy you file, your debts will either be discharged after you go to court or after you've made affordable payments for a few years. But there are a number of disadvantages as well. For one, filing bankruptcy is not cheap. You'll have to pay filing and attorney fees.



According to [CNN Money](http://www.cnn.com), the average total cost of filing Chapter 7 bankruptcy is over \$1,500. The bankruptcy will stay on your credit report for 7 to 10 years, and it will be a matter of public

record permanently. It's also possible that you could be forced to give up some of your property. Only you can decide if bankruptcy is your best option.

#6: Know Which Debts Can and Cannot be Discharged

Not all debts can be discharged by bankruptcy. According to USCourts.gov, those that are not discharged include tax debt, child support, alimony, fines, student loans and debts incurred due to willful and malicious injuries to person or property. It's also possible for a creditor to contest the discharging of a debt, and the court can deny a discharge due to fraud, misconduct or failure to adhere to filing requirements.



#7: Get a Lawyer

Some legal matters can be handled properly without an attorney. Bankruptcy is not one of them. It is a difficult process, and laws and requirements vary from state to state. Without the help of an attorney who specializes in bankruptcy, you could unnecessarily lose property and rights or even have your case dismissed. Hiring a bankruptcy attorney isn't cheap, but it is money well spent.



#8: Include All Creditors in Your Filing

When you file bankruptcy, it's absolutely crucial to include all of your creditors in your filing, even if they have stopped trying to collect the debt. If you don't, the debt will not be discharged. It will remain on your credit report, and the creditor will still have the right to attempt to collect from you.



#9: Complete Financial Counseling in a Timely Manner

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 set forth a number of new rules for filing bankruptcy. One of these was the requirement for filers to complete credit counseling with a government-approved agency prior to filing. The purpose of the counseling is to help consumers find alternatives to bankruptcy, but you must take it even if you've already explored those alternatives on your own or with the help of a non-approved counselor. You can complete the course up to six months prior to filing, so there's no need to wait until the last minute.



#10: Choose the Right Kind of Bankruptcy

The most common types of bankruptcy filed by consumers are Chapter 7 and Chapter 13. Those who have few assets are usually better off filing Chapter 7 since debts are discharged immediately and no further payments are required. Those who have more assets or do not qualify for Chapter 7 may file Chapter 13, which requires them to make payments for up to 5 years before the remaining debt is discharged. Talk to your attorney about which type of bankruptcy is best for your situation. You can also do some [preliminary research here](#).

bankruptcy **BASICS**

- [Process](#)
- [The Discharge in Bankruptcy](#)
- [Chapter 7](#), Liquidation Under the Bankruptcy Code
- [Chapter 9](#), Municipality Bankruptcy
- [Chapter 11](#), Reorganization Under the Bankruptcy Code
- [Chapter 12](#), Family Farmer Bankruptcy or Family Fisherman Bankruptcy
- [Chapter 13](#), Individual Debt Adjustment
- [Chapter 15](#), Ancillary and Other Cross-Border Cases
- [SCLRA](#), Servicemembers' Civil Relief Act
- [SIPA](#), Securities Investor Protection Act
- [Glossary](#) - Terms You Need to Know
- [Bankruptcy Forms](#)

Filing bankruptcy is never an easy decision. It's important to weigh your options carefully before proceeding. However, in some cases, it's the best way to eliminate debt and get a fresh start.



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