

Wiping the Slate Clean: To Declare Bankruptcy or Not

Is your debt so overwhelming and impossible to overcome that you should declare bankruptcy? To answer that question, you'll need a lot of self-reflection, absolute honesty with yourself and the counsel of a reputable bankruptcy attorney. There are a multitude of considerations to make, too many to weave into a part of a book. But there are a few points that I believe are critical.

- Know your numbers so that you can get honest with yourself about where you went awry.
- Set your emotions and self-judgment aside.
- Use your clean slate as a second chance to make good decisions.

Where did you go awry? Were you overspending? Did you have large and unexpected medical bills? Did you buy a bigger home than you needed? Did you lose your job? Getting to the point where you are considering bankruptcy is usually a snowball of unexpected events and poor financial decisions. If you find yourself at this crossroads in your life, embrace the experience as a chance to look, see and tell the truth about how your financial decisions brought you to the brink of considering bankruptcy. Take both a deep look at your numbers and yourself.

Perhaps "setting aside your emotions and self-judgment" isn't the advice you thought you'd find in a financial education workbook, but I believe it's key to making your decision and, if you decide to declare bankruptcy, moving forward in integrity. I've seen many people over the years be so ashamed about their debt situation that they did everything they could to keep from declaring bankruptcy, all the while trying to keep afloat a sinking ship that had way too many holes in it to ever float again. Any financial professional could have shown them how they would never have been able to overcome their debt situation. But rather than seek guidance, they spent months, sometimes years, wallowing in their guilt, struggling, and creating greater financial wreckage. This is a time where emotions don't belong in financial decisions.

Have you wiped your slate clean? Once you've made the decision to declare bankruptcy, it's time to set yourself up for a second chance to make good decisions. All too often the post-bankruptcy story begins with elation and turns into a similar story of financial mishaps and more debt. I've seen many a person's first focus after bankruptcy be rebuilding their credit rather than building their reserves. Bankruptcy is the time to change your behavior, which is the only way to not find yourself back in the misery that you were in before you got there.