Title:
Bankruptcy: Tips To Avoid It

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738

Summary:
Although it may seem like an easy solution to major financial difficulties, it is best to avoid bankruptcy at all cost. There are many reasons for avoiding bankruptcy and many tips for helping those in financial difficulty avoid resorting to bankruptcy. Before beginning to consider bankruptcy, it is best to weigh the negative consequences.

Keywords:
bankruptcy, bankruptcy attorney, bankruptcy law, avoid bankruptcy, filing bankruptcy

Article Body:
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Reasons for avoiding bankruptcy include:

Credit Record - Once a party has filed for bankruptcy, this will stay on their record for ten years. With the easy access to credit checks, having bankruptcy on a credit report will undoubtedly make it difficult for parties to receive loans and credit. Even if creditors will allow for limited credit with bankruptcy on the record, extensive explanations are required and, without a doubt, the debtor will be looking at high interest rates and credit fees.

Loss of property - Although not all types of bankruptcy call for liquidation of property, many of the eight types of bankruptcy in the United States will call for some type of repossession of assets. If the banks find that there is anything unnecessary for living, these items will most likely be seized in order to pay for debts and bankruptcy expenses. Chapter 7, or complete bankruptcy, will even require that major purchases, such as a home or excess cars be repossessed.

Continued financial difficulty - Despite societal beliefs that bankruptcy will get you on the right track, bankruptcy can actually add to financial difficulty for years to come. This may include closure of bank and credit accounts, loss of a job or closing of a business, and inability to continue acquiring credit. Keep in mind while bankruptcy may seem to suggest a "clean slate", there are often debts that will still have to be paid, such as alimony, child support or court judgment costs.

With these negative consequences in mind, it is then necessary to consider possible ways that an individual or business can avoid bankruptcy in the near future:

Debt Consolidation - With rising bankruptcy proceedings in the United States, more debt consolidation companies have come to light. These companies can help debtors to examine current loans and credit debt against available income and will come up with a reasonable monthly payment that incorporates all of these debts. This helps the debtor, who usually feels overwhelmed having to make choices about which debt to pay each month. The debt consolidation company will also help the debtor set up a reasonable time frame to pay off these debts, giving the debtor something to look forward to in the long run.

Get rid of potential debt problems-With the easy access to credit cards and credit accounts at department stores, it is easy to become swallowed up by overwhelming credit. Especially when money runs low, it is easy to pay cash for the bills due now and then continue racking up the credit card bills for later. One of the first steps in avoiding bankruptcy is to get rid of that credit yourself. Cut up the credit card and call the credit card company to cancel that account. If you can’t afford it out of the bank account, then you can’t have it to spend! This is better than having nothing at all by having things repossessed through bankruptcy.

Speak with debt companies - The first instinct when unable to pay bills on time is to simply hide from the debt companies who continue to call or send bills. Unfortunately, many in debt do not recognize that these companies can actually help with different payment plans! As well, many student loan corporations, mortgage companies and credit card companies will allow for forbearances of loans. Forbearances are a deferment or reduction of the loan because of financial hardship and allows for an individual to get back on their feet.

Plan a budget - A simple step that many debtors forget to try is a weekly or monthly budget that calculates debt ratio to income. This is one of the steps that many debt consolidation companies will do for you, but it can easily be done by yourself with pen and paper or with a Microsoft Excel spreadsheet. Take time to sit down, write out all of the bills that come in each month and remember to include all expenditures such as gas and groceries. From here you can determine how much money you have that needs to go to bill companies and how much is left for other spending.