

How To Use Credit Wisely After Bankruptcy

I always tell my clients that your credit score only tells you one thing; how well you manage DEBT. So, why would you want to go back into debt again after bankruptcy? After all, don't you just want to enjoy the feeling of financial freedom from debt for as long as possible? My first inclination would be to strongly discourage you from ever getting into debt again, but I know you're an adult and you can do with your life and money as you please. So, here are some suggestions I found from the folks over at the [National Consumer Law Center](#) on **Using Credit Wisely After Bankruptcy**.



Lower interest rates. Just because you've filed bankruptcy; it doesn't mean that you will forever be stuck with high interest rate offers on credit. In fact, I strongly encourage you to avoid those high cost, high interest rate predatory type lenders. Run, don't walk away from anyone advertising, "Bad Credit?; No Credit? Bankruptcy? No Problem!" You're guaranteed to get a loan from these lenders, but it will cost you more than it did to file bankruptcy in the first place. Don't get pressured into signing any contract that you don't understand, or that cost too much just for the credit.

Here's the deal. You've worked hard to take responsibility for your financial well-being and now have your bankruptcy discharge. You'll be able to get credit again and on good terms too, but don't you want better than that for yourself and your family?

Savings accounts. Instead of debt and credit, consider setting money aside every month in a savings account to save for big ticket items. Remember layaway? Be your own lender and save money to buy what you want. Chances are, if you have the cash in your account and actually have the money to buy that flat screen TV, it will be much harder to part with that cash than it would be to put it on a credit card and pay 29% interest. There is a dysfunctional psychology to that. So, if you can't afford it, save your money and pay cash instead.

Shop around. Rich people do this all the time. Shop around for services you need and use all the time, like groceries, phone service, insurance, etc.

Ask for discounts. I have found that negotiating and asking for discounts on things really makes a difference. Here's a story: I was at a do-it-yourself-store a few weeks back. My boyfriend and I were shopping for area rugs for our living room. We found one we could both agree on, but the only one left was the hanging sample. It was in otherwise perfect condition hanging on the display clamps. So, I told the representative that I would like for him to roll it up, give me a discount and send me on my way with the rug. Now, mind you, they were already on sale and I was asking for an even greater marked down price. He went to talk to his manager and brought back a hand written ticket and had taken another \$50.00 off the price! I am telling you that asking for a discount works.

Read before you sign. Don't be embarrassed because you don't understand a complex financial document. You're not a lawyer. Hey, I know some lawyers that don't understand complex financial products. Remember that when you sign a legal document and enter into a contract, you're agreeing to what is in that document whether you read it, or understood it. Be a well informed consumer. If you don't understand the contract; don't sign it. Just because something is being sold in the marketplace does not make it a good idea.