

## 4 Financial Mistakes on Your Way to Bankruptcy

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Today I read an article by Katie Adams entitled, [Financial Mistakes that Could Haunt You Forever](http://www.jdsupra.com/post/documentViewer.aspx?fid=252e65e4-5ab6-473c-903d-468b8673681b) and it got me thinking. In this unprecedented **Economic Depression**, we are faced with more difficult decisions about our finances than ever before. Who can we turn to? Who do we trust? I say that now more than ever before we need radical self reliance. Don't wait for someone else to tell you what you need to do. Be informed and then decide the proper course of action for your own financial well being.

I hear it every day. "We cashed in our savings and retirement to try to stay afloat." "We lived off our credit cards and now we can't afford the payments." These 4 financial mistakes can be fatal in the long run and you may land in bankruptcy:

1. Living beyond your means is so yesterday
2. Cashing out retirement accounts to pay bills is fatal
3. Fear, Shame and Guilt will paralyze you financially
4. Never, Ever Co-Sign on a Loan, unless you intend to own it and can afford the payments!

**We're not in a recession, we're in a depression.** We need to adjust our lifestyles accordingly and stop creating debt and live within our means. Never, Never, and I will say it again, Never cash in your savings or retirement accounts to pay bills because you will lose that compound interest, you'll be penalized for early withdrawal and wind up paying taxes. It's just not worth it. **Besides, you'll most likely get to keep many of your assets in bankruptcy under an exemption.** Lastly, you absolutely must not panic. Don't let your fear paralyze you into inaction. The last thing you need is to have your wages garnished by a creditor who has sued you before you decide you need to file for bankruptcy.

I believe that the most important thing to remember is to never co-sign on a loan for anyone, unless you have the ability to pay for it yourself and intend to own it. Here's the reason for this. **When you co-sign for the debt of another, you are putting yourself on the hook for that debt, in the event this other person can no longer pay for it.** If the person you've co-signed for ends up in bankruptcy, then the lender can come after you for that debt. You may find yourself being thrown under the bus, so to speak, and may end up in bankruptcy too, if you did not intend to pay for that debt.

Don't go broke before you talk to a bankruptcy lawyer about your current financial circumstances. Every situation is unique and you may have options outside of bankruptcy, but you must act now.

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