

7 Ways Your Life Will Improve After Bankruptcy

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When meeting with people to discuss a bankruptcy filing it is clear that for most that they are in what they view as a very low point in their lives. Many view their bankruptcy filing as the end of their life as they know it. However, in several ways your life will improve after your bankruptcy filing.

#1 - Collection Calls Will Stop

Most people contemplating bankruptcy are being harassed by creditors day and night. Further, you may be having your wages garnished or are even being sued. One way your life will improve immediately after your bankruptcy filing is that all of these collection efforts will stop. The bankruptcy court issues an order that requires all of your creditors to stop calling you on the phone, garnishing your pay, or doing anything else to try and collect money from you.

#2 – Bankruptcy Will Eliminate Debt

This, of course, is obvious. The main purpose of bankruptcy is to eliminate your debt. But think about it, a chapter 7 bankruptcy filing will eliminate you unsecured debt. Thousands or even millions of dollars in debt will be completely eliminated.

Further, you are able to do this for relatively little cost. The bankruptcy court puts limits on what a bankruptcy attorney can charge for a bankruptcy filing. Here in Arizona, most bankruptcy lawyers charge anywhere from \$1,500 up to \$2,500 for a chapter 7 bankruptcy filing. While I understand that I am being slightly self-serving here, if I told you that you could eliminate all of your credit card debt for \$2,500 most people would jump on that chance. Bankruptcy is generally a pretty good deal as far as legal fees go (if I do say so myself!).

#3 – Bankruptcy Can Improve Your Credit Score

This one many people have a hard time believing. Isn't bankruptcy going to drastically *reduce* your credit score? Initially your credit score will drop due to your bankruptcy filing. However, most of my clients see an improvement in their credit score within 12 months of filing.

How does this work? If you are behind on your bills, each month your creditors can report your tardiness to the credit bureaus. Each of these late payments damages your credit. So month in and month out your credit score is taking a beating – even on old debts that you haven't thought about or heard from in years.

Bankruptcy, on the other hand, is a static event – meaning that it happens, is reported to the credit bureaus, and then every day you get away from it the better. While the bankruptcy is reported on your

credit report, it is not something that is renewed every month, continuing to drive your score down. A bankruptcy filing can stop the bleeding and help your credit score recover.

#4 – Bankruptcy Can Stop the Fighting In Your Home

Having debts that you cannot pay is stressful. So stressful in fact that financial difficulties is a leading cause of divorce. When I did my undergraduate studies I majored in Sociology. In my courses we studied what is called Maslow's Pyramid of Needs. Abraham Maslow's theory was, in a nut shell, that if our physical needs aren't met, then it is difficult to focus on things like our relationships with others.

When it comes to debt, if there is no money for groceries because it is all going to the monthly minimum credit card payments, this causes stress and takes away the focus from our family relationships. A bankruptcy filing can eliminate debt, eliminate the stress, and help you to get back on track with nurturing family relationships.

#5 – Bankruptcy Can Save Your Home

Having a roof over your head is a big deal! Many people in Arizona are dealing with the reality that they may lose their home. Bankruptcy, and particularly a chapter 13 bankruptcy, can help you get caught up on missed house payments and may even allow you to eliminate your second mortgage or home equity line of credit. Chapter 13 bankruptcy provides you with a plan on how to save your home and gives you peace of mind that there is a way forward.

#6 – Bankruptcy Can Motivate You to Improve Your Financial Skills

After their bankruptcy case is complete, many clients tell me that they will never be in this situation again. When I ask what changes they are making, most have made firm commitments to change the way they view and use money. First on most people's list is eliminating credit card use completely. Bankruptcy is a life changing event, and it can be used as motivation to permanently change financial habits.

#7 – Bankruptcy is Your Fresh Start

In the bankruptcy world is almost cliché, but bankruptcy can be your fresh start. Bankruptcy is your opportunity to wipe the slate clean and start rebuilding your credit – although this time you are armed with information and experience that will help you manage your credit more wisely going forward.

Bankruptcy has consequences, and not all of them positive. However, instead of viewing your bankruptcy filing as the end of your financial life, view it as a new start, time to catch your breath and make changes that will improve all areas of your life going forward.

If you are having financial problems and thinking about filing for bankruptcy, call me and let's set up a time to go over your situation in detail and let me inform you of what your bankruptcy options are. I do all bankruptcy consultations completely free of charge.

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