Credit Card Charges, Installment Loans & Medical Bills Cause Bankruptcies to Soar

by

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It's a nasty habit. Even an addiction. It costs a fortune. And it's causing bankruptcies to skyrocket. What is it?

Buying things on credit, aka buying things "on time."

Here's what often happens. (Does the following sound familiar?)

You start charging things to your credit card. Month after month, the amount you owe increases. Your minimum payments get bigger and bigger. When you run out of cash each month, you use your credit card for living expenses. And your balances keep rising.

Your savings account bottoms out. Money you had planned to save now goes to credit card payments. You see that month after month you're making payments on items you bought years ago! So that big-screen TV that you bought 3 years ago for $2,000 because it was "on sale" has already cost you $3,000, when you add the interest.

Now, where will you get the money to repair your car? For your son's college tuition? Your daughter's wedding? Or that special vacation you promised your spouse?

Interest -- whether on a credit card or an installment loan -- is expensive. It will cost you a fortune. For example:

With a balance of $3000 on one credit card at an interest rate of 19%, your monthly minimum payment of 2.5% of the balance with no other charges is $75. With only a minimum payment month after month, it will take you 283 months to pay off that one debt -- more than 23 years. For one card with a $3000 balance! And making just a minimum payment each month will cost you $4,729.44 in interest! Most Americans have 6-10 credit cards.

Credit purchases cause all sorts of problems: They choke the life out of the buyer until the item is paid off. They increase the cost of the item bought on credit. And they raise the amount of money needed to pay monthly bills.

The result?

Credit card debt and "on-time" installment purchases are causing bankruptcies to skyrocket. Because the debt has grown so big that the buyer can no longer pay it off.

If the buyer/debtor cannot work out an affordable plan to get out of debt, I suggest he consider Chapter 7 or Chapter 13 bankruptcy. Chapter 7 (liquidation) erases most of the person's debt.

And Chapter 13 (repayment) allows the debtor to negotiate a payment plan with creditors and then, with the Bankruptcy Court's approval, start paying down his debt.

Another huge problem that forces bankruptcies is medical bills, which resulted in half of the 1,458,000 personal bankruptcies in 2001. (Study published in the journal *Health Affairs*.)

According to the study -- carried out by researchers at Harvard Law School and Harvard Medical School -- medical bankruptcies impact 2,000,000 Americans each year, including debtors and their families. And while over 75% of these families had health insurance when the illness began, 38% lost coverage -- some only temporarily -- by the time they filed bankruptcy.

Families that filed bankruptcy endured many hardships: 30% had at least one utility cut off. And when medical care was needed, 61% chose to go without.

The bankrupt families were mostly middle class. 56% owned a home and 56% attended college. Often, illness forced income-earners to take time off work, resulting in lost income and lost health-insurance benefits.

If you want more information about bankruptcy and non-bankruptcy options, talk with an experienced financial rescue and bankruptcy lawyer.

You're Invited to Call or E-mail.

"If you have questions about bankruptcy, foreclosure, credit card debt, loan modifications, tax liens or other financial problems, please send your e-mail today to **rich@chicagomoneylawyer.com** or call 312-969-0730." -- *Rich*

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