

Is it Time to File for Bankruptcy?

“Many people look forward to the new year for a new start on old habits.” Author Unknown. We rang in the New Year about two weeks ago toasting family and friends with hopes of following through on those pesky New Year resolutions. There is an abundance of advice on how to stick with those resolutions and even experiments testing the key to successful New Year resolutions. I wish everyone could achieve their resolutions; however, the how-to articles are evidence that not many will accomplish their goal. Sadly, some bad habits are hard to break. Other resolutions are seeking the impossible – losing 30 pounds in 1 month or attempting to make money appear from thin air. The later is true for those people struggling with debt.

The economy has been cruel to hard working families. Job loss, lack of insurance, rising cost of living, and high interest debt are all factors contributing to Americans financial duress. A New Year resolution will not solve the impossible. If you are unable to make ends meet, it is time to discuss your bankruptcy options. Are you able to make ends meet and see a light at the end of the tunnel? It is time to sit down at the kitchen table with your loved ones and realistically review your financial situation.

Gather all your debt information. Review balances, interest rates, and minimum payments. Calculate how long it will take to pay off credit cards by paying the minimum payments or what you can afford. Websites like [Board of Governors of the Federal Reserve System](#) can be helpful.

Calculate your net income (after taxes) every month. This is a good time to make sure enough taxes are being withheld from your check so you do not owe the IRS at the end of the year. However, you also want to make sure you are not having too much withheld. It is better to have access to your wages over the year instead of treating the withheld taxes as a savings account.

Review and total household monthly expenses. This is the time to be honest about what are luxury expenses and what are necessities. Calculate what you should be setting aside per month into retirement accounts and make sure you are allowing for a savings deposit every month. Building up a savings account for emergencies and larger purchases is necessary to avoid having to rely on credit cards.

Finally do the math. Is there enough income coming into your household to pay for all the necessary expenses including retirement and savings? Are you going to be able to get yourself out of debt within the next 5 years? If you were able to stop making payments on credit cards and past medical debt would you have enough money to cover your necessary expenses? If wiping out your unsecured debt would free up money to begin contributing to savings and

retirement it may be time to consider filing for bankruptcy. At the very least arrange a consultation with a [bankruptcy attorney](#) to review your options.

No one wants to continue to struggle with debt. Make your New Year resolution of financial freedom a reality in 2011! Unless you have a realistic plan to address your income shortage your financial problems will only get worse and you will have the same New Year resolution for 2012.

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