

# TRI-STATE



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## BUSINESS & ECONOMICS

### It's Your Money

## Bankruptcies have serious and lasting implications.

By Walter Dawson

Each person has to live with his or her own decisions, and bankruptcy should be viewed as a financial act of last resort. It typically has serious and lasting implications.

There are two kinds of bankruptcies an individual may file: Chapter 7 and Chapter 13, which is also known as "wage earner." In Chapter 7, an individual is able to wipe his or her debts clean, but they will most likely have to surrender any property or other assets to help pay the debt. Each Chapter 7 filing costs \$500 to \$1,000 and takes approximately four to six months to complete. A debtor may only file for Chapter 7 once every six years, and it will remain on his/her credit record for ten years.

A debtor who files Chapter 13 is allowed to keep his/her property by setting up a debt repayment plan. An individual must have a source of steady income and stick to a very strict payment plan that will be created by the court. Chapter 13 costs on average \$950 and typically lasts for three to five years. It will stay on an individual's credit record for up to twelve years; although if you successfully complete your plan it may be erased in seven years. A debtor is eligible to file Chapter 13 every two years.

In our community, people are in various stages of their financial lives. Some have filed bankruptcy and are working their way out. Some are suffering from bad money management and could end up in bankruptcy if they aren't careful.

If you or someone you know is considering filing bankruptcy, the best advice is simply "make it a last resort."

Like any other problem, there are usually several solutions or alternatives to filing for bankruptcy. Working hard at settling a difficult financial situation may appear to be insurmountable, but bankruptcy is almost never the easy way out of a serious financial problem.

Here are some things to consider before filing:

- What are the alternatives?
- Can I sell something that would affect the situation?
- Would additional income change the picture?
- What if my creditors were agreeable to modifying terms?
- How is this going to affect me and my family later?
- What happens to my spouse?
- How will it affect my children?
- What about my financial life afterward?
- Can I get credit again?
- How will I be viewed by financial institutions in the future?
- What about renting an apartment or buying another home?
- What about insurances, checking accounts, or getting another job?

**The information in this article should not be a substitute for the advice of a professional.**

*Walter Dawson, Manager, Publications for First Tennessee, is a member of the MemphisDEBT Collaborative, a group of 150 local nonprofits, governmental agencies, businesses and concerned citizens who are helping Memphians keep the money they earn. For free advice about your finances, you can call the collaborative at 507-6638. Or check out their Web site at [www.memphisdebt.org](http://www.memphisdebt.org).*