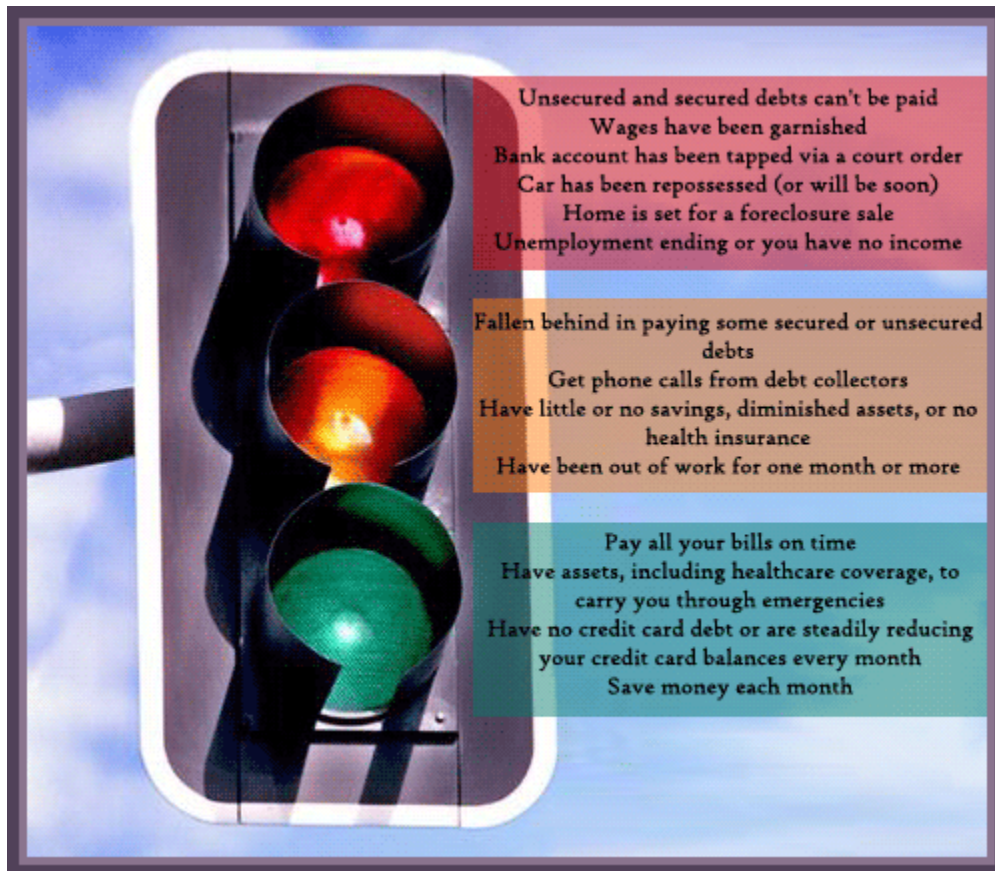


When To File For Bankruptcy Protection, How Do I Know If I Need Bankruptcy?

Hands down - the biggest hesitation I see clients face is trying to decide if bankruptcy is the right option for them. If it wasn't such a serious topic - it might actually be humorous! I have some people coming in ready to file ASAP, with paperwork and payment in hand. The only problem? They are comfortably current and "above-water" on all their secured debts, they have no unsecured debt, their only debts are non-dischargeable, etc.

On the other end of the spectrum, I have clients that come in kicking and screaming....they DON'T WANT TO FILE. Now, I will never pressure someone in a direction they are not comfortable with - but some of these people come in with hundreds of thousands of dollars in unsecured debt, garnishments and judgements, facing foreclosure, etc.

So, to help clarify my thoughts on when to consider filing for bankruptcy, I have created a fancy diagram below:



If you are in the green zone, it is more likely or not that the benefits of filing for bankruptcy will not outweigh the drawbacks. "Green Zoners" are able to comfortably pay their bills each month. They may have assets that, if liquidated, could pay of all debt in its entirety. Despite their debt, they are able to afford health care, contribute monthly to a savings program, and are able to pay down any existing credit card debt. Congratulations "Green Zoners" - you have a pretty good handle on your finances.

What about those in the "Yellow Zone"? These are individuals that have a few more problems than their green friends. Perhaps they have fallen behind on one or more bills, or have started dipping into savings to pay these debts. Some people in the yellow zone may start getting phone calls from debt collectors or may be currently unemployed. If you fall into this category, it may be time to start considering your finances more carefully. Can you cut down on your expenses, negotiate with current creditors, or increase the amount of money that you take home each pay period. Bankruptcy may or may not be a good option for you.

And the "Red Zone"? Ah, the red zone. In this case, red is bad. Red means stop what you are doing because it is NOT working in your current financial situation. A person is in the red zone when they cannot pay their bills - their house may be facing foreclosure, car repossessed, wages garnished, etc. If you find yourself in this position, please make an appointment to see an experienced bankruptcy lawyer ASAP.

This is just the opinion of one bankruptcy attorney - remember that everyone has their own opinion on whether bankruptcy is an option. To be honest, you have to go with what is comfortable for you. That being said, I also believe that you cannot possibly make a personal decision like this without being educated int he subject matter.

There are rules and laws and procedures associated with filing for bankruptcy that, unfortunately, we have to follow. So, as always, I am a Phoenix bankruptcy lawyer that is available for free bankruptcy consultations.