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## **Make Bankruptcy the Option of Last Resort**

If you are like many Americans, the recession has you asking the question of whether you should consider filing [bankruptcy](#). If you've asked yourself this question, chances are you're experiencing financial distress that has been going on for some time with no relief in sight. The lingering recession has many consumers reviewing their options to reduce monthly expenses or increase income. In past years, most persons would be able to get back on track with minor adjustment to their budget or taking on second job. However, with fewer second job opportunities and reduced hours on their primary income, consumers are finding themselves in a real financial pinch.

Over the past six months, our office has seen a dramatic increase in the number of joint bankruptcy filings where both parties are employed and simply do not have enough money to pay all expenses. In some cases, the couple is working to pay bills with no possibility of being able to start a savings account, take a family vacation, or even have an occasional family outing. In other words, they may be current, but have absolutely no disposable income between pay checks. Sixty one percent of American families live from paycheck to paycheck; a 14% increase from 2009.

Living paycheck to paycheck makes a family more susceptible to using credit to meet ordinary living expenses. Families living paycheck to paycheck are more susceptible to cash advances, pay day loans, rent to own deals and buy here, pay here car dealerships. At an obscene interest rate, all of these businesses are willing to offer credit to anyone who walks through their doors. Don't be fooled by the sign that says credit, No credit, no worries. In fact, if you see these signs, you should run as fast as you can in the opposite direction.

Along with the paycheck to paycheck reality, consumers can expect more transparency on interest rates, late fees and other credit card charges thanks to [The Credit Card Act of 2009](#). The Act ensures that consumers are fully aware of the cost of credit. Signed into law in May, 2009, the Act makes the terms of

the cost of credit more transparent, with easier to understand terms. Along with each monthly statement of the outstanding balance is a summary of the cost of the credit and how long it will take the consumer to pay off the debt if they only make the minimum monthly payment. The chart alone is an eye opener.

Knowing, that it could take seven years to pay off the balance of \$2500.00 on a department store credit card has a way of making you wish you have never opened the credit account.

If you believe your previous credit decisions have you looking into a financial tornado, remember that bankruptcy should be the option of last resort. Before you consider bankruptcy, take these steps to bring your budget into control. See the video, [Bankruptcy the Option of Last Resort](#) and follow these steps.

1. [Create a budget](#)
2. [Track your spending](#)
3. [Reduce your expenses](#)
4. [Increase your income](#)
5. [Change your attitude about money](#)

Be mindful to respond to all court notices and don't ignore calls from your creditors. This could be your opportunity to modify the terms of your agreement. Whether it's a real estate loan modification or a refinance of an existing vehicle contract, don't let fear keep you from making a better deal for yourself. There are some cases where bankruptcy is the only option. If your wages are being garnished, your car repossessed or maybe even your home being sold in foreclosure, you need to take immediate action to stop your creditors from forcefully taking your assets.

If you've put these quick tips into action and your finances continue to deteriorate, you should talk to an experienced bankruptcy attorney to discuss whether the extreme financial makeover of a Chapter 7 or Chapter 13 is for you or your business.

Denise Brown's Legal Direction: Providing Balanced Family Law Counsel to individuals and families in Louisville, Shelbyville and surrounding counties.

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