

## **Guilt & Bankruptcy: Overcoming Preconceived Ideas of Bankruptcy**

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Usually with my bankruptcy blog posts I go over some aspect of the bankruptcy process, however today I thought I would write on an issue that I see in nearly every bankruptcy consultation I do. Guilt. Almost everyone I meet with expresses embarrassment/disbelief/guilt over having to go through the bankruptcy process. I think much of this stems from widely held beliefs by the public in general that bankruptcy is symbol failure or someone trying to game the system. I have found the exact opposite to be true. As I sit in consultations and listen to the series of events that lead up to most bankruptcies I realize that bankruptcy can happen - and does happen - to anyone.

In preparing a bankruptcy petition I am required to get a lot of information on income, salaries, and expenses. From this I can glean that my clients have come to me as a last resort - often when it would have been much more beneficial to visit with me earlier. Many have been working several jobs, reducing expenses, selling belongings, loaning money from family, and draining their retirement savings. Bankruptcy truly is a last option for most people. Along these lines, I have come up with the Top 3 Myths about Bankruptcy Debtors:

### **Myth #1- Bankruptcy is the Result of Irresponsible Spending**

To be sure in every bankruptcy case I have there is a lot of spending and credit card use that has gone on. The reason for much of that spending would surprise most people. Often the large amounts of credit card debt have been incurred through using a credit card to buy groceries, gas, clothes for the kids, tires, etc. This is usually because there has been a job loss or a reduction in pay. At the time when most of my clients purchased their cars or homes they could afford them. However an unexpected illness or job loss has made what was once very affordable to completely out of the budget. I find that most people are eternal optimists and believe that things will get better soon, so in the mean time they put their monthly living expenses on credit cards with the thought that they will easily pay back the debt once they get better or get back to work. If this does not happen quickly, people find themselves in a very difficult situation.

### **Myth #2 - Bankruptcy Happens to the Poor and Uneducated**

Bankruptcy does indeed happen to the poor and uneducated. It also happens to the incredibly wealthy and highly educated. I have filed bankruptcy for doctors, lawyers, dentists, chiropractors, teachers, managers, business owners, police officers, computer techs, and CPAs. Bankruptcy can happen to anyone, regardless of past successes or educational achievement.

### **Myth #3 - Bankruptcy Doesn't Affect That Many People**

Bankruptcy, especially over the last three years, has impacted a lot of families here in Arizona and nationwide. Between 2008 and 2010 4,184,397 families filed for bankruptcy in the United States. During that same period 103,236 families in Arizona filed for bankruptcy. And while I don't have statistics to back

it up, my guess is for the 100,000+ families that have filed for bankruptcy in Arizona there are hundreds of thousands more that are close to bankruptcy or should have filed bankruptcy but didn't.

Financial setbacks can happen to anyone. It is true that there are people out there trying to game the system, rack up a lot of debt and then file bankruptcy, but they are very small minority. I have met with thousands of people in my bankruptcy process and can literally count on one hand the number of people who fall into this category. Most are hardworking people that have simply fallen on hard times or are experiencing very serious illness that no one could have planned for.

If you have been suffering through the difficult decision of whether to file for bankruptcy, give me a call and at least learn what your options are. I have found that even for clients that end up not filing for bankruptcy, knowing what options are available brings a lot of peace. My bankruptcy consultations are always free. Give me a call at (480) 420-4028 or via email at [john@skibalaw.com](mailto:john@skibalaw.com) .