

How Do You Know When it is Time to File Bankruptcy?

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As I say throughout my website, no one *wants* to file for bankruptcy. [Bankruptcy](#) is usually an absolute last option for people after trying to manage their debts over several months or even years. You keep trying to come up with some payment arrangement with your creditors, holding out hope that your income situation will improve or that the creditors will somehow simply go away. I often meet with clients and then won't hear from them for months, only to have them come back and say that it is finally time to file. So how do you know when it is time to go ahead and file your [bankruptcy](#)? Here are a few indicators that it is time to file your bankruptcy case:

#1 - You Wages are About to Be Garnished

[Wage garnishment](#) is an indicator to me that your debt problems are pretty advanced. In order for a creditor to [garnish your wages or bank accounts](#) they must first have a judgment against you. In order to have a judgment against you the creditor must have [sued you in court](#). Most creditors do not file a lawsuit as a first move. They will call you, send you letters, hire collections agencies, and then only when the debt is very delinquent do they file a [lawsuit](#). If your wages are about to be garnished it is time to deal with your debt problem.

In Arizona 25% of each of your paychecks will be taken in a garnishment. Filing a bankruptcy case [will immediately stop any future garnishment](#) and will allow you to deal with a debt problem that has been festering for some time.

#2 - You are Robbing Peter to Pay Paul

If you are paying your credit card debt by using other credit cards, using balance transfers, or failing to pay other bills so that you can make the monthly minimum payment, then it may be time to file bankruptcy. If you are going into debt to pay your debts, you are involved in a difficult cycle that is going to be very difficult to get out of without a serious infusion of income. It is likely that a payment is going to be missed which will result in higher interest and higher monthly minimum payments. Bankruptcy may be the only solution to ending this cycle.

#3 - The Interest Rates on Your Creditors Cards are Above 20%

With most [credit cards](#) if you are late on a single payment they can dramatically increase your interest rate, often up to 25% to 30%. If you have several cards that have interest rates above 20% it may be time to consider [bankruptcy](#). The new Truth in Lending laws require that your credit card company disclose to you on your monthly statement how long it will take you to pay off your debt if you only make the monthly payment. There are also many calculators online that can give you this information. It is staggering to run these calculations on even relatively small debts that have a high interest rate. For instance, if you have a credit card with an \$8,000 balance and you have a 22.99% interest rate, if you pay only the minimum monthly payment it will take you **220 years** to pay off this debt. You will also pay **\$161,676 in** interest payments during these two centuries (yes, I did just say TWO CENTURIES!).

When you run the numbers it is easy to see that you may be in a situation that you will not be able to get out of. And the reality is, I never see people who only have one \$8,000 credit card debt. Most people I see have \$20,000 up to \$150,000 in credit card debt. At that point, bankruptcy may really be the only option to solving your debt problem.

There are many other reasons or indicators that it is time to file for bankruptcy: lawsuits, large [medical bills](#), etc. I have found that simply gaining the knowledge of what your options are and how you can tackle your debt through bankruptcy can bring a lot of peace to your situation. My bankruptcy consultations are always free. I would be happy to meet with you and discuss your options in helping you to become debt free. I can be reached at (480) 420-4028 or via email at john@skibalaw.com.

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