

## 6 Steps to Take before Bankruptcy

Contributed by Cornie Herring  
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If you currently have unbearable debts and thinking of wipe it off from your statement by declaring bankruptcy; Just on-hold your decision for a while, there may be other options available. Try to improve your situation before you investigate the bankruptcy option. No matter which way you go, evaluate the 5 steps below to see if you could avoid taking that drastic step.

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{bot\_wrgoogle}1. Detail out all your debts

First, look at all your secured debts such as mortgage and car loan. How much are the repayment for each month? What are the interest rates?

Then, list down all the fixed expenses such as power, phone, insurance, food, etc. What are the total costs for these expenses?

Follow by examining your credit card debts. Take out all your credit card statement and write down the amount you owe for each card and their interest rate.

Finally, write down all your other expandable; these are your optional expenses such as entertainment, gym, membership, dinners at restaurant and other impulsive purchase.

2. Eliminate the unnecessary expenses

Now you should have a better idea on where your money goes; Make a diet plan on your cash; In your Cash Diet Plan, list down all the your savings from the elimination of the optional expenses. You will be surprise that how much money you can save by carefully control your expenses. The money you saved can be used to pay down your debts.

3. Get your family involve and work as a team

Don't do it alone because under such as stress condition, you may out of control and may not think and plan in clear mind; get your family together and let them know your financial problem and have them to work together to control the household spending and eliminate the unnecessary expenses.

#### 4. Cash out with your assets

If you have equity, you are in a better situation because you could refinance or get a secured loan for pay off your debts. If you are looking for bankruptcy as your debt relief options, you may not have any equity in hand already. But equity is not the only asset; many people tend to forget that things that have cash value, but not sentimental value. Think antiques, old clothes or collectibles.

List down all the assets you own which you can sell and cash out. Check the closets, garage and storage locker, she says, "and find out what you can live without". Then, cash them out through garage sales, eBay or consignment shops. Use the money to pay down your debts as much as possible.

#### 5. Go for consumer counseling service

Arrange an appointment with a credit counseling agency and let the counselor to understand your finance situation and draft a budget for you. Review the debt management plan proposed to you before you sign to enroll into the plan. You may get a few plans from other credit counseling agencies for comparison. Choose the one which best suit your current financial needs. Although a debt-management plan can have a negative impact on your credit, it's better than bankruptcy.

#### 6. Get A second or part time job

Utilize your out-of-work time on second or part time job. Although you may not earn much in your part time job, a little money coming in can keep a bad financial situation from getting worse.

#### Summary

Bankruptcy may be your easy way out from debts but the consequences may follow you for 7 to 10 years. Always look for other alternative before choose for this dramatic options.

Cornie Herring is the Author from "StudyKiosk-Credit Basics"-

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