

Ten Misconceptions about : Bankruptcy

By *JUSTIN DION*

1 *Bankruptcy is a process mainly used by people who are reckless and overspend on luxury items.* Reality: the majority of those who file are honest, hardworking people who have fallen on hard times due to no fault of their own.

2 *I can only get rid of credit-card debt in a bankruptcy.* Reality: Most debts can be discharged, including credit cards, medical bills, utility bills, personal loans, foreclosures, repossessions, and family debts.

3 *If I file bankruptcy, I will have to pay a large tax penalty for the debt I discharge.* Reality: You will not be taxed on the debt discharged in a bankruptcy.

4 *Once I file bankruptcy, I will carry a stigma around forever.* Reality: There is no longer a bankruptcy stigma; people can continue to live their lives essentially in the same manner they had before bankruptcy.

5 *I will have to go to court if I file bankruptcy.* Reality: A vast majority of bankruptcy cases conclude without the debtor ever going to court.

6 *Bankruptcy is a long proceeding that takes years.* Reality: Most bankruptcy cases conclude in a mere few months.

7 *Income taxes can never be discharged in a bankruptcy.* Reality: Many income-tax debts that have been properly filed and are at least three years old can in fact be discharged in bankruptcy.

8 *I will lose my house, car, and assets if I file bankruptcy.* Reality: Most people keep all of their assets, including their house, car, bank accounts, retirement accounts, clothing, jewelry, furniture, and household appliances.

9 *Bankruptcy laws changed a few years ago, and now everyone must repay their debts.* Reality: Almost everyone who qualified for bankruptcy a few years ago still qualifies today and can still discharge their debts without repayment.

10 *I will never be able to get credit again.* Reality: If responsible debt repayment is evidenced after filing bankruptcy, most people are able to get some unsecured credit immediately, and secured credit for significant purchases within a year or two.



Justin H. Dion is an associate at Bacon Wilson, P.C., where he concentrates on business and personal bankruptcy, real estate, and general business matters; (413) 781-0560; jdion@baconwilson.com