

# Is Bankruptcy An Option? 5 Signals To Watch For

***“Who do I choose to pay this month?”***

A scary, yet common question many people are forced to ask themselves on a regular basis. With unemployment steadily high and the number of underemployed folks even higher (and largely unaccounted for), the nature of today's economy has left the majority of people grappling with difficult financial questions such as the one posed at the beginning of this paragraph. This is especially so in New Jersey where the cost of living is amongst the highest in the country. When is it time to consider bankruptcy as an option? The following are some signals to look out for:

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## 1. “Robbing Peter to pay Paul.”

Credit cards are often a necessary evil. In a perfect world, we would all use our credit cards sparingly and with discretion, allowing ourselves the opportunity to pay for a family vacation or a special gift over time. Unfortunately, in today's down economy, the luxury of credit has turned more into a staple of survival. People have no choice but to use credit to put food on their table and purchase gas to go to work. This begets then having to use credit to pay for existing credit obligations, or “robbing Peter to pay Paul” as it is known. For many, it is a merry-go-round that simply will not stop. Bankruptcy may be an option for stopping this whirlwind ride.

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## 2. Liquidating retirement savings just to get by.

It's tough to think about the future when the present can be so burdensome financially. For many of the people I meet with, their future is now. They naturally seek to tap into whatever funds are available in order to stay above water. As a result, people can tear through years of hard-earned savings, often at a great penalty and tax consequence, with nothing to fall back on. Bankruptcy could potentially protect these assets so that those years of savings do not dwindle away.

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## 3. Falling behind on mortgage and home equity lines.

The most straightforward and clearest signal of financial distress. When our rock, our shelter, comes under attack, difficult decisions must be made as to whether a home is salvageable and/or worth investing further into. Bankruptcy can often be an option for saving a home. However, as has become increasingly common, it can also be a way of getting out from underneath it.

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#### 4. Minimum payments – maximum effort.

With the way interest rates on credit cards have risen today, people are at a loss to explain how they can pay so much for so long and have the same exact balance due from years prior. Disposable income is tight in today's economy – there is only so much to go around after we pay for our food, gas and whatever keeps the lights and heat on in the home. This is to say nothing of actually considering some form of savings. If all of one's disposable income is going toward just staying above water with respect to minimum fees, bankruptcy may be an option to consider.

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#### 5. When the emotional strain starts impacting other areas of one's life.

I often tell clients that 50% of what I do is relieving financial stress and the remaining 50% is relieving emotional strain. The effect of falling behind on bills can have a far reaching effect on people well beyond the financial ramifications. It can effect how we treat our spouses, our children, our co-workers, and perhaps most common – how we treat ourselves. Lack of sleep, depression, poor eating habits – there are many ways that financial distress can materialize in our own lives. It's important to take a step back, acknowledge the signs, and be proactive in taking action.

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I hope that this article was helpful in trying to acknowledge the signs of financial distress in order to take the next step in evaluating your options, including bankruptcy. Your overall quality of life and well-being may depend on it!

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Contact Straffi & Straffi today for a free consultation. [732.341.3800](tel:732.341.3800).