

CAPITAL GAINS | Jane Bryant Quinn

# The Case for Walking Away

Normally I'd say suck it up, cut spending and repay your debt. But not if you're going broke.

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In January, we're supposed to sit down and organize our personal finances. This year I'll risk my good-girl reputation with a subversive idea: go bankrupt in 2009. If you're reaching the end of your rope, don't try to hold on. Save what you can.

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It's painful and humiliating even to consider bankruptcy, let alone join that crowd in the courthouse corridor, waiting for your name to be called. Normally I'd say suck it up, cut spending and repay your consumer debt. But that's not always possible, especially with an economic tsunami rolling over your home, job and health insurance.

Most families, honorable to the end, struggle longer than they should, says [Katie Porter](#), a law professor at the University of Iowa. By the time they give in, they've lost assets they could have used to start over again. That defeats the point of bankruptcy—to stop the self-blame and hopelessness that goes with bad luck and bad bills, and give yourself a second chance.

The right time to go bankrupt is when you're financially stuck but still have assets to protect. You can use Chapter 7, the most popular type, only once in eight years, so draw up a "no kidding" plan for living on your income when you're finally clear. "If you're out of work, try not to go bankrupt until you have a new job and can see what's ahead of you," says Harvard Law School professor [Elizabeth Warren](#).

It's a mistake to tap your retirement accounts to make minimum payments on monstrous bills. IRAs and 401(k)s are largely protected in bankruptcy, as is most of your child's 529 college-savings account. This money is your future. Leave it alone and use credit cards for your necessities. Card issuers know that some of their customers will fail. That's why they charge elephant fees.

Your health is your future, too. You're doing your family no favors by forgoing medical treatment because you can't pay. Bankruptcy eliminates medical as well as consumer debt.

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Posted By: Survival @ 01/16/2009 12:03:40 PM

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Thinking of claiming bankruptcy? Passing the headache on to the lender is what caused our current economic crisis. I am a landlord of a house and the previous tennant still owes several months back rent and damages. They may claim bankruptcy and I will be holding the bill to pay the mortgage and repairs. I know that they have lived better than my family for the past year and after claiming bankruptcty, will continue to do so. For all of those mom and pop businesses who will not get paid from deptors (who knowingly over-extended themselves), do not pay your Newsweek bill and see how long it will take Jane Bryant Quinn not to get paid. I'm sure she would not be accepting of the consequences. Debtors - do the right thing, pay your bills.

My husband and I filed Ch 7 in Jul 08 and were forgiven in Oct 08. Hard times indeed. When we were both unemployed and the LTD insurer denied my case while my husband was having to go back to school and start again for a career he had 15 years' experience for, we had to use retirement in order to not go homeless, and we have not been able to afford a new retirement fund since. My husband is apprenticing now in the trades. He graduated school but needs more work hours to be a journeyman and his boss can't find work and is scared too, so my husband is on unemployment and I am on SSDI. It was the downturn in 2008 economy that led to my husband having to collect unemployment (12 weeks in 2008, and 2 weeks in 2009 so far) and that put us over the edge for being able to pay our regular credit card payments. Nothing frivolous on them - medical, auto repair and maintenance for our one car that is 14 years old. I'm 50 and he's 47.

We were current in payments until July and now I have to go to the 3 bureaus to report the bankruptcy, even though the lawyers already did it, because even though they and all the creditors were advised of the bankruptcy, our credit file shows us as delinquent and there have been many inquiries to our credit report by the credit cards we filed on so they could be sure to lower our score as maximally as they could. Even being current in payments, they raised our interest rates because we owed more than 50 percent of the cards' limits - Hey, let's punish those in need.

Frankly, we're lucky to have a roof over our heads and food to eat. There needs to be a better way of getting the bankruptcy on the credit reports and not letting the credit card companies eak their revenge in critical times on struggling humans.

Posted By: Survival @ 01/16/2009 11:54:53 AM

We filed in Jul 08 and were forgiven in Oct 08. In 2003, both unemployed and out of cash, we used up all 401K and other retirement just to stay alive and in our apartment; it was either that or go out on the streets. I'm on disability now and we still have enough medical expenses to keep us from being able to save much. I'll be 50 this year and my husband is 46. Right now he's on unemployment due to the economy. He's in the trades and his boss is scared, isn't even bidding jobs. My husband is on permanent medication. None of our credit card expenses were frivolous. We have no assets; we rent, don't own, our home. ~~Posted By: Survival @ 01/16/2009 12:03:40 PM~~ of the credit card debt for which we filed.) And the reality is, we are doing better than a lot of other people in the US.

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