Solving Your Debt

10 Things You NEED to Know

Personal Bankruptcy Canada

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INTRODUCTION

Debt in and of itself is not a bad thing.

This book is about managing debt. By virtue of the fact you are reading this page it is likely you've already begun to hear a little voice whispering in your ear "Am I in over my head?"

At some point in their lives almost every person on the face of the earth faces debt issues. The question is not whether we can avoid them, but can we manage them. Debt in and of itself is not a bad thing. Debt fuels economic growth for both businesses and individuals. Few could start a business or buy a car or a home without going into debt.

The question is "How much debt is too much?" There are no "one size fits all" answers to this question. If you suspect you have gone beyond needing help managing your debt into real debt burdens that require exceptional solutions, read on.

Debt solutions all start with the same first step: accurately describing your current financial picture. Once that is done you need to consider what you want that picture to look like after a solution is implemented. Finally, you need to determine which potential solutions will get you to where you want to be.

Personal Bankruptcy is only one of many options

There are many debt solutions available to you: going it alone, debt consolidation loans, credit counseling, consumer proposals, or personal bankruptcy. Personal Bankruptcy is only one of many options and if you have already searched the Internet for advice, you know it is frequently mentioned as the "last resort." If that is truly the case, why do so many Canadians end up there?

Perhaps you've heard the expression "The elephant in the room." It's a way of saying there's a massive problem of which everyone in the room is aware, but no one wants to discuss.

Personal Bankruptcy is an elephant in the room. People who are burdened with debt management issues fear it and all too often wait to consider it as a possible option until it is too late. What once was a possible solution is now the only solution. As the clock ticks the debt burden can grow to the point where solutions that might have worked earlier are no longer available.

Personal Bankruptcy, as you will see, is not the end of life as you know it.

Personal Bankruptcy, as you will see, is not the end of life as you know it. The whole thrust of this book is to help you understand the big picture of debt solutions enough so that you, not the clock, can decide on the solution that works best.

SECTION 1

Where Are You, Right Now?

Regardless of whether you opt to try to work through your debt situation on your own, or you look for a debt consolidation loan, or you elect to work with a credit counselor or bankruptcy trustee, you have to know where you are before you can decide what to do.

Many of us really don't know exactly where we are in terms of our financial picture. Generally speaking, we're satisfied with knowing that "things are pretty good" or "things are a little tight." In terms of debt management you need to know exactly how tight things are.

In theory this should be a simple matter of calculating how much income we bring in and what we own and what we owe. Simple accounting says net worth is the sum of our assets minus our liabilities. In practice, it's not quite that simple.

What we're going to do in this section is highlight the kinds of information you need to collect to assess your financial picture. This is time well spent, regardless of which debt solution you select. Credit counselors, loan officers, and bankruptcy trustees will all begin their discussions with you by asking for this kind of information. So get paper and a pencil and let's get started.

CHAPTER 1

What's Your Real Income

Remember, the goal here is to describe your financial picture right now, not what you hope or think or expect or wish it might be in two, three, four or six months. When it comes to describing income you might wonder why we are even bothering with the question. There is a difference between real income and anticipated income.

For salaried workers this means you don't average in an anticipated quarterly or year end bonus into your monthly income. There should be little need for explanation here as in economic times like these you should be well aware that these bonuses might be less than anticipated and even disappear entirely. If your net income has been level the last three months, that's the figure you write down.

For hourly workers there's the anticipation of seasonal overtime or additional hours for part-time workers. Stick with what you actually make right now. While the idea of looking for additional sources of income might be a possibility for you, that's part of a potential solution. Right now we're first working on defining the scope of the problem.

CHAPTER 2

What are Your Real Expenses

Now that you have a number for how much you take in each month, you need to determine how much goes out every month. Accounting 101 tells us there are fixed expenses – bills that stay the same month after month – and discretionary expenses – bills that vary from month to month.

Write down your fixed expenses, which would include your mortgage or rent payment, car payments, student loan payments, and other loan payments or fixed monthly amounts. Have a column for "Creditor" and a column for "Monthly Payment."

Moving on to discretionary expenses start recording your creditors, like the utility company, cable provider, credit card issuer, and so on. This is the easy part. The difficult part is determining those real expenses many of us incur throughout the month that remain invisible, until next month's credit card statements come through.

The fact is, if you slide that card every day when you buy a coffee and a doughnut, or when you buy fuel for your car, or when you buy groceries and you don't record those amounts; you have no idea what your real monthly living expenses are. They're hidden in next month's increase in your "minimum monthly due" on the credit card statement.

You need to expose these expenses to the light of day by either saving your credit card receipts and then transcribing them or simply keeping a ledger of expenses as they occur. There's a simple way to do us, carry a pocket size note book with you and record both what you spend and what you bought. This will allow you to separate expenses into categories.

This might seem cumbersome, but for many of us it is the best way to avoid "guestimating" how much we spend on discretionary items. To get a fully accurate picture of your real expenses, allow yourself a month of recordkeeping.

CHAPTER 3

What's Your Financial Picture

The missing pieces to the puzzle are your assets and liabilities.

The missing pieces to the puzzle are your assets and liabilities. For liabilities you need to add a column to your legal pad after monthly payment and call it something like "Total Balance Due." Here you'd put what's left on your mortgage and other loans and the balances on your credit cards. Note that since cars and homes have equity value they are considered secured debt, and have asset value as well. In simple terms, that means you can sell them.

Everything else is unsecured debt with no asset value. This step can be a real eye-opener as many of us rarely think in terms of total unsecured debt; rather we think in terms of monthly payments on the debt.

At this point in the process it's possible to begin feeling totally overwhelmed and desperate. Facing up $20,000, $30,000, $40,000 or more in unsecured debt can have a paralyzing effect. If you've experienced an unexpected change in your sources of income and you are rapidly approaching the point where your monthly expenses exceed your income, you may feel you have no option but to start paying bills with credit cards. In your head you know this will only make the situation worse, but your heart tells you it's just a way to hang on till things get better.

Stop for a moment and take a deep breath and consider the following. Of the five debt solutions we're talking about, four of them involve seeking the advice of a professional. Why not do it right now? Don't wait until the situation worsens to the point you have no choice. If you think you can dig your way out on your own, it doesn't hurt to get an objective view on that approach. Whom should you call?

Bankruptcy trustees are not lawyers. In effect, they are highly trained professional debt consultants licensed by the government to administer debt solutions

If you are open to all possible solutions it makes sense to talk with someone who understands them all and that person is a bankruptcy trustee.

Bankruptcy trustees are not lawyers. In effect, they are highly trained professional debt consultants licensed by the government to administer debt solutions to consumers and business owners. Trustees must complete a comprehensive three year program of study in both law and bankruptcy. Prior to the actual granting of the license, entrants must pass a rigorous examination process, including both written and oral examinations comparable to the required exams for academic degree candidates at major universities.

A trustee will meet with you to review where you are with your finances, right now. They have the expertise to help you evaluate strategies to get you where you want to be. They understand what it takes to get a debt consolidation loan and the kinds of informal arrangements you might propose to your creditors if you decide to go it alone. They know the credit counseling process and the advantages and disadvantages of both for profit and not for profit counselors. While all trustees fully understand all these options, few credit counselors fully understand consumer proposals and bankruptcy. Initial consultations with a bankruptcy trustee are generally free of charge, so how can you lose?

These consultations generally begin with questions about your current financial picture so if you come in having already gathered the information you need; you can spend more time discussing and evaluating alternatives. So let's return to the final step in the process of developing your financial picture: listing what you own.

Listing your assets can be time consuming and somewhat laborious but it's a worthwhile investment of your time. If you decide to go it alone, you will probably be selling some of these assets so you might as well try to assess how much they're worth right now. If you opt for a debt consolidation loan, your banker will want to know what assets you own. If you own your own home, that's the place to start.

Homes build up equity over time – equity is the difference between what you still owe on the home and what it is currently worth. To determine the value of your home you should talk to a real estate professional. They can give you a comparative market analysis (CMA) of your home against the sale price of similar homes in your area. This will give you a rough idea of your own homes value. Selling your home – as painful as that might be – is an option you have to at least be willing to think about.

Determining the value of the cars you own is a bit easier, as all you have to do is consult the Blue Book to determine the car's current resale value and deduct the outstanding balance of any car loans you might have open. The difference is the equity you have in your car.

Determining the value of your personal possessions is the toughest part of this process but it is information you must have to make the best decision you can on what to do. Many people would love to go it alone and knowing how much revenue they might generate from selling some of their assets can help determine whether that is a viable option or not. In addition, you'll need this information for a consumer proposal or bankruptcy as well, so why not do it now?

Your paper should be pretty full by now, with your list of creditors, monthly payments, and total liabilities. Now you can add the equity in your home and car and the dollar amount of any stocks you own or certificates of deposit (cd's) or saving account balances.

The final piece of the asset pie is the list of other things you own. Simply put, start walking through your home and record anything you own that might be sold. To determine a price, "garage sale" value is acceptable for bankruptcy filings so you might as well start using it here.

Anything you have in your home that can be sold should be listed. List your televisions and other entertainment equipment, furniture, chinaware, silverware, collectibles, exercise equipment, and anything else you have that could be sold. For each item, list a price. Total it all up and you now know your total assets. Subtract your liabilities and you have your financial net worth. You're ready. You know where you are, right now.

SECTION 2

Where Do You Want to Be?

Many of us with debt problems dream of a life without debt. Perhaps we could fall asleep one night and awaken to discover all that we owe has magically disappeared. The slate has been wiped clean and we have a fresh start. While some dreams can come true, that one never will. However, some debt solutions lead to different outcomes and it's important you think about the outcome that will best suit you.

Chapter 1

Clean the Slate and Start Over

Although bankruptcy or a consumer proposal might seem terrifying to some, these options will get as close to a totally clean slate as it is possible to get. With a consumer proposal you will pay back less than what you currently owe and bankruptcy will eliminate most of your debt. Other options restructure your debt repayment, but do not lower the amount you owe. However, there is a price to pay for the cleaner slate.

Although bankruptcy or a consumer proposal might seem terrifying to some, these options will get as close to a totally clean slate as it is possible to get.

Declaring bankruptcy or filing a consumer proposal will impact your credit rating for years, even though in a consumer proposal you will actually pay back a portion of your total debt. For some people either of these options are signs of personal failure. Emotionally, they feel a deep sense of shame. In reality, however, the shame exists only in the minds of those who allow it to. Tens of thousands of people do this every year and emerge with a fresh start. Businesses do it all the time; even billionaires like Donald Trump!

If this sounds like you it is all the more reason to make that call to a bankruptcy trustee while there's still time to consider other options. Thousands and thousands of people all over the country are struggling with debt. If the clock is ticking for you, don't wait till it forces you where you may not have to go. Meeting with a bankruptcy trustee as soon as possible will keep all debt solution options open for you.

Meeting with a bankruptcy trustee as soon as possible will keep all debt solution options open for you

CHAPTER 2

Work Through Things as They Are

In addition to the emotional issues associated with wiping the slate as clean as possible through bankruptcy, some people have moral and ethical concerns as well. Your parents may have instilled that ethic of "good men always pay their debts." If that sounds like you, or you are young, just starting out, and want to preserve you credit rating at all costs, you probably want to at least consider trying to dig your way out on your own. Working through things as they are means you will not reduce or eliminate any of what you now owe; you'll only be restructuring the repayment of your total debt.

As you'll see in a moment, you have options; just as you do if you feel you need to wipe the slate as clean as possible as soon as possible. Regardless of which way you go it's going to take time and will involve some pain. The question is how much pain are you willing to tolerate and how long are you prepared to stay with a solution till it's over. It makes a difference because as we'll see in a moment, declaring bankruptcy after trying a different solution can make things worse.

To answer the question of your pain threshold and patience, you need to heed perhaps the best advice a person can ever receive. "This above all: To thine own self be true." Look in the mirror, question yourself and reply honestly. It can take three to five years to work through a consumer proposal. Can I do that? Going it alone might mean your debt will be with you even longer – it will just be more manageable. Can I do that? Only you can answer that question.

SECTION 3

How Do You Get There

You've figured out where you are right now and given some serious thought to where you want to be. Now it's time to talk about how to get from your present debt situation to whatever level of debt you feel will best meet both your emotional and lifestyle needs.

As we have mentioned, there are five debt solution options available:

- Declaring personal bankruptcy,
- Presenting a consumer proposal to your creditors,
- Using a credit counselor,
- Getting a debt consolidation loan, or
- Going it alone.

While these solutions will lead to different levels of debt once you have adopted one, they all have one thing in common: your debt will become manageable.

your debt will become manageable.

We have talked about personal bankruptcy being the "elephant in the room" feared by many and understood by few. At the other end of the spectrum is going it alone, which is what almost all people in dire financial straits would prefer to do. We ask that you reserve judgment on which solution would best work for you until you have learned the basic advantages and disadvantages of each.

CHAPTER 1

Go it Alone

Cutting Expenses

Reducing expenses is something everyone in debt talks about doing, but when it comes to truly cutting all expenses to the bone, talk is cheap and action is difficult. This means tough and sometimes painful measures requiring life style changes. Here are a few examples.

1. Cutting to the bone does not mean eliminating HBO from your premium cable package while maintaining Showtime and Starz. It means eliminating your cable service entirely or at a minimum, cutting back to the cheapest package available.

2. Cutting to the bone does not mean going out to eat once every two weeks instead of once a week; it means eating at home all the time.

3. Buy the cheapest foods you can, without sacrificing your health. Less expensive ground beef is as good a source of protein as is a filet mignon.

4. Find a discount grocery outlet and start shopping there.

5. Watch for sales flyers and only buy items on sale.

6. If you're never been a coupon shopper, start now as the savings can be significant over time.

7. Save on your utility bills by lowering the thermostat and eliminating air conditioning.

8. If you like taking long hot showers at the start and end of each day, you can cut your water bill by simply taking one quick shower once a day.

9. If you're a gardener, don't plant flowers this season and if you plant vegetables get a rain barrel and use free water to irrigate your plant.

10. If you have both cell phones and a land line, eliminate the land line but make sure your cell phone is configured for emergency service use.

11. If you go out for lunch at work, start bringing a lunch and skip the daily stop at the coffee shop.

From your original paper list you can find your list of monthly expenses. You subtracted that figure from your current real income to come up with your monthly disposable income. There's one more way to reduce those monthly bills.

Informal Proposals to Creditors

In some situations, people who can't meet their monthly expenses at times have been using credit card checks to stay afloat. For many, credit card monthly payments account for their biggest monthly expenditure. If that describes your situation, you are not alone. Many of us are doing this but there is a way to lower the total credit card monthly payments by working directly with the issuing banks.

Your credit card issuers have a vested interest in helping you stay afloat – they want their money! Because of this, most are willing to listen to informal proposals from consumers.

The process is simple. Call the card issuer and ask for help. What they will typically do is lower your interest rate and monthly payment, in exchange for which you will have to close the account. While you will no longer have access to that line of credit, the lower monthly payment may keep you afloat, and the lower interest rate might help eliminate the total balance due faster. Remember, this does not reduce or eliminate what you owe them – you'll still have to pay the full amount.

Some people choose to keep one card open for emergencies and close everything else. Do this for all your cards and you'll then be able to determine whether or not the reduced monthly payment is enough to really make a difference. You can talk to most banks and get a number without making an immediate commitment.

Now you have an idea how much you can realistically decrease your monthly expenses. Spending less will help but it is rarely enough. You need to see if you can generate more income and increase your savings by selling assets.

Generate Additional Income

If you're in the situation you're in due to job loss or layoff or cutback in hours worked, you have certainly been searching for part time jobs and other income generating activities. Here's an idea you may not have considered.

If your home or condominium has extra bedrooms or rooms that could be turned into bedrooms, consider renting them out. Children with their own rooms can double up and dens and studies

can be converted to bedrooms. Bringing strangers into your home may be more of a burden than you are willing to take on, but there is a way to turn this idea into a potentially emotionally rewarding experience, as well as a way to generate significant income.

There are large numbers of international students who come to Canada to further their education. With few exceptions they come to improve their English as part of their study and they prefer to live with English speaking families rather than live in dorm rooms or apartments with others who speak their native tongue. Go to www.homestayfinder.com to get an idea of what you would need to do to get into this market.

The monthly fee you can earn is substantial and you can opt to provide meals or simply kitchen privileges. If you read the comments from homestay providers who have been doing this for many years, you'll see they find the experience to be very rewarding. It takes a special courage to leave home and hearth and travel to a foreign country. These students are focused and goal directed and in all likelihood you will enjoy having them in your home.

While international homestay may yield a better quality tenant, don't rule out renting to Canadians looking for temporary housing. The income potential from renting out one or even two rooms in your home may be enough for you to go it alone in solving your debt problems.

Selling Assets

The final piece of the picture is determining how much cash you could raise by selling assets. Selling a $15,000 vehicle with a loan balance of $5,000 will net $10,000; half of which could go towards purchasing a more modest vehicle. You now have a $5,000 "pot of money". Selling any of the assets you've listed on your legal pad you can do without will help you enlarge that pot. Depending on your situation and the size of the pot you can pay off some of your debt or save the money as a cushion for future contingencies.

You now have enough information to determine whether going it alone is a possible option for you. If you are unable to reduce expenses and raise income enough to provide you with a monthly disposable income with which you can live, this is not the way to go. However, even if you can, you should consider all the other options. Going it alone may take more time than any other option and you have to answer for yourself the question of how long you can live under the stress of the situation.

Going it alone may take more time than any other option..

CHAPTER 2

Get a Debt consolidation Loan

There's nothing magical about a debt consolidation loan. If you have $15,000 in unsecured debt with five different creditors you take out a single loan of $15,000 to pay off the five creditors, leaving you with one monthly payment instead of five. The single payment provides enough of a reduction in monthly expenses to keep you afloat.

The best place to go for a debt consolidation loan is to a bank where you already have a relationship. If you've done your homework and have your financial picture on your yellow legal pad you should have most of what the banker will need to know to determine whether or not you qualify for the loan.

To look at it from the banker's point of view, they loan money to people they feel will be able to pay it back; or to people who have assets to secure the amount of the loan. Your job in preparing for a sit-down with the banker is to have enough ammunition to prove you are worthy of the loan.

Even though equity in your home puts you in the best position you can be to qualify, you'll still need a verifiable source of income. If your credit rating is already in bad shape, you may need to get a relative or friend to co-sign for the loan.

If you have no equity it will be difficult to get a debt consolidation loan. One thing that will help is to come into the bank having already shut down your credit cards. No banker wants to take the risk of wiping out $15,000 in credit card debt with the consumer in a position to immediately begin charging up new debt. If you must,

keep one card open, but you will increase your chances of getting a loan backed up by the equity in your home and at least give you a shot at getting an unsecured loan.

When considering this option, remember it doesn't reduce or eliminate your total debt load. All a debt consolidation loan does is allow you to pay the debt off faster and keep your credit rating intact. The big advantage that enables this speedier repayment is the lower interest rate on the loan. Interest rates on most credit cards these days are high and a debt consolidation loan, especially a loan secured by the equity in your home, can save you thousands of dollars.

CHAPTER 3

Credit Counseling

In the past few decades the number of credit counselors in Canada has exploded as more and more consumers find themselves overburdened with debt. The driving force appears to be a desire to maintain a credit rating at all costs. Indeed, many consumers flock to credit counseling agencies without fully understanding the differences between this option and filing consumer proposals or declaring bankruptcy.

The end result of using a credit counseling agency will be a Debt Management Plan prepared by the credit counselors and presented by them to your creditors. The plan will specify how much you can pay per month towards the total debt you owe and usually includes a significant reduction or complete elimination of the interest rate on the original card balance. If the plan is accepted by your creditors, you will then be making a single payment directly to the credit counseling agency, not the multiple payments to your creditors.

For many this may be a good option, but there are some things you should know. First, your credit rating will reflect the fact that you are under a DMP (Debt Management Plan) and will stay on your report for two to three years after you successfully complete the program. Depending on how much you owe, a DMP is stretched over a period of two to five years. If your present debt load is too large to be paid back in this time frame, you won't qualify for a DMP.

To determine if you qualify and if this is a good solution for you, you will need to meet with a credit counselor. Let the buyer beware here as not all credit counselors are created equal. Some are organized as for profit corporations and will charge you a percentage of your monthly payment in exchange for their services. Most are non-profit but even here there can be a great deal of difference as to how much, if anything, you will pay for services rendered. You should shop carefully here, using consumer protection services like the Better Business Bureau and the National Federation for Credit Counseling.

As we have already suggested, a better way to begin is to first meet with a bankruptcy trustee. The two legal options for solving debt – consumer proposals and personal bankruptcy – both require formal credit counseling education as part of the process. . Another advantage is this: all bankruptcy trustees fully understand Debt Management Plans but not all credit counselors fully understand consumer proposals or personal bankruptcy.

Although a DMP will not reduce your total debt, it will get you out of debt faster and all reputable credit counseling agencies require extensive debt management education to help you stay on a sound financial footing.

The last two debt solution options we'll look at both involve legal agreements and subsequent legal protection from creditors that you won't get when you go it alone, get a debt consolidation loan, or start a DMP. Both Consumer Proposals and bankruptcy are legally binding documents which lock your creditors in once they have agreed. With Debt Management Plans, have no legal standing, and although rare, creditors could change their minds.

CHAPTER 4

Present a consumer Proposal

> ***Consumer proposals were created as an alternative to personal bankruptcy and can be a "win-win" situation for both you and your creditors.***

This is the first solution we've discussed that will actually reduce your total debt load and offer legal protection. Consumer proposals were created as an alternative to personal bankruptcy and can be a "win-win" situation for both you and your creditors.

As a simple example, if you owe a total of $30,000 in unsecured debt, the bankruptcy trustee you engage will present a formal, legally binding, proposal to your creditors offering to pay back 50% of the debt, or $15,000. The proposal will contain a time frame and a monthly payment tailored to your financial situation. If your disposable income is $400 the proposal might offer repayment of $250 a month, allowing you a little breathing room. The repayment would be stretched out over five years, which is the maximum time frame for consumer proposals. For some situations, you may be able to offer a lump sum payment.

Creditors "win" with consumer proposals since they get some of their money back and consumers win since they can keep all their assets and perhaps feel better about themselves as they are taking some responsibility for their own debt.

Depending on your financial picture you may not be able to take advantage of this solution. Eligibility requirements can be somewhat complex, varying on your level of insolvency – the point at which you can no longer keep up with your bills. There are actually two different types of proposals –Personal Proposals and Division 1 Proposals.

At this point all you really need to know is that they exist as an option which can reduce both your monthly expenditures and the total debt you owe. To match the specifics of a proposal to your financial picture you will need to consult a bankruptcy trustee.

Consumer proposals will negatively affect your credit rating but as a general rule they are wiped off your credit report sooner than is the case with filing bankruptcy. In addition, while your proposal will set up a monthly minimum, you can speed things up even more by paying more whenever your finances permit.

Let's stop for a brief detour on protecting credit ratings before we proceed. Some people standing at the precipice of financial disaster have managed to keep paying all their bills on time and still have a decent credit rating. For them, maintaining their credit rating is a legitimate concern.

However, many others are already paying bills late and in some cases not at all, leading to a credit rating that is already seriously impaired. For them, it might be better to take the action necessary to stop the bleeding, and then worry about rebuilding their credit rating once they begin implementing a debt solution.

Now we're ready to talk about the elephant: personal bankruptcy.

CHAPTER 5

Declare Personal Bankruptcy

.. think of it as turning over the management of your financial affairs to the bankruptcy trustee you've chosen.

Personal bankruptcy is an involved legal process the precise details of which vary greatly depending on your financial picture and the province in which you live. For a broad, general understanding of what bankruptcy does, think of it as turning over the management of your financial affairs to the bankruptcy trustee you've chosen. This is not as drastic as it sounds. While the trustee will file a tax return and ask for verification of income during the bankruptcy, he or she will not be cashing your paycheck and giving you spending money!

The trustee will however, take control of what you own and assess your situation to determine which of your assets are exempt – those you are allowed to keep – and which are non-exempt – those that in theory could be sold by the trustee to pay back your creditors.

Once again, this is not as horrible as it sounds. Determining what you can keep and what might be sold is a somewhat complex process that once again varies by province. Generally speaking, there are limits, or exemptions, in dollar amounts for classes of personal property and if one of your personal assets is above the limit, the excess could be sold, but rarely in fact is sold.

Keeping Your Possessions

Clothing, furniture, household appliances, cars, professional equipment and tools, are all examples of property with generous exemptions that allow those entering bankruptcy to keep most if not all of them. If you're worried about your home, there's a dollar limit there as well, and few people lose their homes to bankruptcy.

Keeping Your Car

Keeping in mind that these exemptions or dollar limits vary by province, let's consider a car as an example. If you have a car worth $7,000 and the exemption in your province is $5,000, the excess of $2,000 is legally subject to sale. However, it is not possible to peel off a portion of the car and sell it to raise the money and few creditors are interested in forcing asset sales of negligible value. What usually happens here is the person in bankruptcy "buys back" the excess in the car from the trustee either by securing funds from friends or family or arranging to pay the trustee from earnings after bankruptcy.

Keeping Your Home

If you're worried about keeping your home that will depend on how much equity you have in the home. At the high end, the province of Alberta allows a $40,000 equity exemption for homeowners. If you think about it, if you've been in your home for a long time and have significantly more equity than that in your home you would most likely qualify for a debt consolidation loan rather than bankruptcy.

Depending on your monthly disposable income you could be discharged from bankruptcy in as little as nine months. Think

about that. Totally debt free in nine months. To qualify in most provinces, that disposable income cannot exceed $200. During bankruptcy you will continue to pay your fixed expenses like utilities, cable, and you will still be responsible for alimony, child support, and student loan payments. Once you have subtracted those expenses from your verified income, if the amount is more than $200 you might be required to contribute some of the excess towards repaying your creditors and you will continue to remain in bankruptcy for up to 21 months.

Now you can see the wisdom of considering all debt solution options before selecting the one that works for you. If you tried to go it alone and now have decided to look into bankruptcy you may have actually hurt yourself by lowering your expenses and increasing your income. In bankruptcy that increased amount of disposable income will keep you in bankruptcy longer.

You have probably heard the old adage "The lawyer who represents himself has a fool for a client." There are complex issues involved in all five of these potential debt solutions and trying to sort through them all on your own is truly a fool's errand. The sooner you consult with a bankruptcy trustee, the better. If you are reluctant to do so because you think licensed trustee will cost more than a credit counseling service, think again. You will be paying some kind of fee to the credit service and throughout the life of the Debt Management Plan those fees might actually add up to more than the cost of hiring a professional bankruptcy trustee.

During the course of the bankruptcy you will be required to attend two credit counseling sessions which are designed to help you learn how you got into debt as well as to teach how to avoid getting deeply in debt again.

Summary and Conclusions

In this book we have tried to shed some light on the debt problems and potential solutions. You now know you cannot realistically evaluate any solutions to your debt problems until you know where you are.

You must first determine your current financial picture by listing what you owe and what you own.

You have multiple solutions available to you. Depending on your situation you can:

- Rework your budget by lowering your expenses and generating additional income. When coupled with an informal proposal to your credit card holders, this solution might be right for you.
- Use the equity in your home to get a Debt Consolidation Loan. This will allow you to consolidate several monthly payments into a single reduced payment. In the absence of significant equity, it might be possible to get a consolidation loan with a member of your family acting as co-signor.
- Use a Credit Counseling Service to prepare and present a Debt Management Plan (DMP) to your creditors. This will not reduce your total debt but will allow you to make a single monthly payment to the Credit Counseling Service who will then pay off your creditors over time.

- Use a professional bankruptcy trustee to prepare and present a formal, legally binding proposal to your creditors. This proposal will reduce your total debt by a significant amount but will impact your credit rating more negatively than a DMP.

- Use a professional bankruptcy trustee to declare personal bankruptcy. This will eliminate most of your debt but will also negatively impact your credit rating for a significant period of time.

As we have said several times throughout this book, the best place you can for help is to a professional bankruptcy trustee. To find a trustee near you visit www.personalbankruptcycanada.ca

WHO WE ARE

Personal Bankruptcy Canada, specialize in resolving personal and corporate insolvency-related problems.

In the course of our careers, we have worked with people in almost every personal circumstance. "We've seen it all. We are real people and we want to help you get relief from the stresses financial problems can cause."

We've also worked with businesses in many industries including avionics, automotive, building, manufacturing, hospitality, industrial, supply, distribution, telecommunications, service, retail, real estate, entertainment and agriculture.

- We specialize in:
- assessing personal finances
- corporate restructuring

- credit mediation and negotiation
- corporate and personal proposals
- corporate and personal bankruptcy
- receivership
- viability assessments
- acting as executor in complex estates

Our firm has helped many people formulate and make arrangements known as "proposals" to settle debts with creditors, including Canada Revenue Agency. Proposals can provide protection from collection efforts of creditors while paying back some or all of the debts.

In corporate situations where a company is unable to continue operations, we've helped owners/management close the business operations, communicate with creditors and obtain court approval for distribution of funds. We also have experience with petitions involving non-cooperative or hostile personnel, as well as tax loss sales and other arrangements to "clean-up" companies for sale.

For further information or to get assistance contact us by phone at 403 266-6665, email or come in for a free consultation.