



If I declare myself bankrupt will all my debts disappear?

It is a common misconception that by declaring bankruptcy all debts will disappear. When you declare yourself bankrupt, you need to spend three years before you are discharged from bankruptcy. During that time a trustee will be appointed to manage your bankruptcy. Although that original debt has been cancelled, your trustee will, where possible, try to recoup some of what's owed. Even then, whilst you would be discharged of all debts, going bankrupt will not cancel the following:

- your mortgage;
- Higher Education Contribution Scheme (HECS) and Student Supplement Loan debts;
- fines;
- debts arising from fraud;
- maintenance payments and child support; or
- debts due to Centrelink.

If you have unpaid accounts relating to housing or essential services such as electricity, telephone or gas the supplier may require payment of the account or a bond to maintain the service.

Personally I do not recommend bankruptcy, unless it is the very last option available to you. There are several repercussions to declaring bankruptcy including:

- during the period of bankruptcy any earnings above \$37,146 (after tax) are used to extinguish debts;
- you would have a bad credit rating for seven years which effectively limits your borrowing capacity;
- you are disqualified from managing corporations during the period of bankruptcy;
- you need to disclose that you are a bankrupt when you incur personal debt greater than \$3,000; and
- assets such as shares, investments, houses are generally sold off to help pay off your debts.

Instead of going bankrupt, you should look at a few alternatives such as trying to consolidate debt into a personal loan; changing spending habits or trying to get more income to help pay your debts.

More information on bankruptcy can be found on the Insolvency Trustee Services Australia (ITSA) website www.itsa.gov.au