

# WHY FILE FOR BANKRUPTCY?

*While there are Many Different Reasons that Individuals and Businesses Will Get Into Financial Trouble, there is Ultimately Only One Answer to the Question of Why File for Bankruptcy*

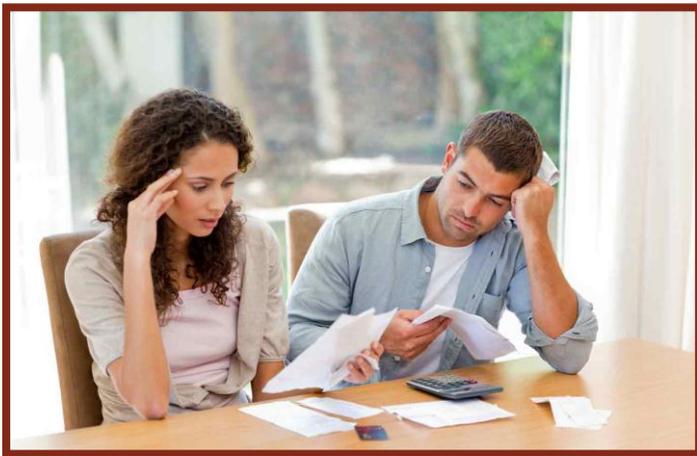


**Ronald D. Weiss**

Deciding whether to file for bankruptcy protection can be a difficult decision. There are advantages and disadvantages associated with filing for protection under federal bankruptcy laws. Many people are concerned about the impact of a bankruptcy on their credit score and some feel a personal or moral obligation to do their best to repay the debts that they owe.

The reality, however, is that bankruptcy laws are there to protect American families and businesses. The laws ensure that you do not become trapped in a cycle of debt that there is no escape from. It is essential to take advantage of the protections that the bankruptcy code provides if you are facing financial hardship. An experienced bankruptcy attorney can assist you in understanding if bankruptcy is right for you and can guide you throughout the process of filing.

## Why File for Bankruptcy



While there are many different reasons that individuals and businesses will get into financial trouble, there is ultimately only one answer to the question of why file for bankruptcy. That answer is, you should file for bankruptcy protection

if you do not have enough money to pay your debts or to keep your business operational.

When your debts become too large, they can take all of your income or a significant portion of it, leaving you without the money you need to take care of yourself and your family. In many cases, the entire payments that you make will be eaten up by interest, penalties and late-fees. As a result, you may never get out of debt and will be stuck continuing to throw good money after bad for months and even years. Getting out of the financial hole can be impossible under these circumstances, and your credit may continue to suffer even as you struggle to pay your debts because of maxed-out credit cards or late fees.



For a business, debt can be a major burden that prevents the company from succeeding. If you have creditors that are charging high interest rates or contracts structured under disadvantageous terms, you may be able to restructure the debts that you owe through bankruptcy. This could

allow you to make your business a financial success once your debt burden is alleviated.

## **Reasons for a Bankruptcy Filing**

Getting out of financial trouble is the best reason to file for bankruptcy.

Bankruptcy protection can also:

- Help you to preserve retirement accounts and home equity. If you file for bankruptcy protection a portion of the value of your home is protected and all of the money in IRAs, 401(K)s and other tax-advantaged retirement accounts is going to be saved. You do not have to cash these assets in or turn them over to the bankruptcy court. As a result, you will not lose your entire nest egg and everything you have worked for. You should almost always file for bankruptcy instead of cashing out a retirement account or taking a home equity loan to deal with unmanageable debt.
- Help you to begin improving your credit. While bankruptcy does have an adverse impact on your credit score, so does receiving negative reports from creditors every month. Once you file bankruptcy, your debts are resolved and the negative reporting will stop. You can begin the process of getting back on track and improving your credit score.
- Help you to avoid debt collection efforts. As soon as you file for bankruptcy protection, creditors must discontinue their efforts to try to collect debts from you. This means that a creditor cannot continue with a foreclosure, an eviction process, the repossession of your car loan or an action to garnish your wages. While you may ultimately need to pay your mortgage or car loan in order to keep the home or vehicle, you can buy time and avoid losing these assets. Some types of debts may go away entirely depending upon the chapter of the bankruptcy you file, thus wage garnishments and other similar collections activities may end permanently as a result of a bankruptcy filing. You can also avoid the incredible stress that debt collectors can place on your relationships and your health.

These are key reasons why filing for bankruptcy makes sense for individuals. Businesses can also benefit by getting out of crippling debt and restructuring their organization or dissolving the company in a smart way.

An experienced bankruptcy attorney can help to determine if bankruptcy is a smart choice for you based on your financial situation. It is advisable to speak with a legal professional for assistance as soon as possible when you suspect that a bankruptcy may become necessary for you.

## About the Author

Ronald D. Weiss, Esq.



Ronald D. Weiss, Esq., is an attorney who since 1987 has specialized in bankruptcy solutions, foreclosure solutions, and modification and negotiation solutions for individuals and businesses in the greater Long Island and New York areas undergoing financial hardship.

Mr. Weiss is a member of the American Bankruptcy Institute, the National Association of Consumer Bankruptcy Attorneys, the Suffolk County Bar Association and the Nassau County Bar Association, and is admitted to practice in the State of New York, the State of Connecticut, and the federal courts for the Eastern and Southern Districts of New York. Mr. Weiss is a 1988 graduate of New York University School of Law where he was a recipient of the Galgay Fellowship in Bankruptcy and Reorganization Law and has published several law journal articles. Mr. Weiss' past experience includes having been a law clerk to the Honorable Prudence B. Abram, a United States Bankruptcy Judge in the Southern District of New York, and having practiced corporate bankruptcy law at several large Manhattan law firms, including Moses & Singer, LLP, and Walter, Conston, Alexander & Green, P.C. Mr. Weiss later worked for Fischhoff, Gelberg & Director in Garden City, NY where he had practiced consumer and business bankruptcy before starting the Law Office of Ronald D. Weiss, P.C.

Mr. Weiss started the Law Office of Ronald D. Weiss, P.C. in 1993, which has been located in Melville, New York since its inception.

Please call us at (631) 479-2455, or e-mail us at [weiss@ny-bankruptcy.com](mailto:weiss@ny-bankruptcy.com) for a free consultation to discuss your legal options in greater detail.

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