Bankruptcy Myth Busters

Think you know about bankruptcy?
Here we bust 8 of the more common myths.

Busted!

Bankruptcy often results from overextended credit, mortgage stress, rising cost of living, poor health, relationship breakdowns, legal action or bad luck. Bankruptcy can happen to anyone and people generally file due to reasons beyond their control.

Myth

You need a certain amount of debt before you're eligible for bankruptcy

Busted!

There's no minimum or maximum amount of debt or income you need to be eligible to file for bankruptcy. You can appl if you meet these 2 requirements:

- You're unable to pay your debts when they are due
- you're present in Australia or have a residential or business connection to Australia

Myth

You have to give up all your assets

Busted!

The Bankruptcy Act 1966 defines assets within 2 categories:

- Divisible (unprotected) assets available to a bankruptcy trustee (e.g., shares, antiques, artwork, lottery winnings, bank balances, cryptocurrency, copyrights, boats, jet skis, residential and investment properties.
- Non-divisible (protected) assets not available to a bankruptcy trustee (e.g., superannuation*, general household contents and furniture, some compensation or life insurance payments, tools used to maintain employment worth up to $3,950, and vehicles (cars or motorbikes) used primarily for transport, worth up to $8,550.

**there are some special circumstances*

Myth

You still have to pay your debts

Busted!
Almost all your debts will be captured by your bankrupt estate (fines, child support and some other debts that sit outside the bankruptcy regime) and dealt with. Neither a bankrupt nor spouse will be liable (although your spouse could be if you both owe monies or if your spouse signed a guarantee to pay your debts)
DEBT

Myth
You can't travel overseas

Busted!

While travelling overseas is more difficult if you're bankrupt, it's not impossible.

- you need to get your trustee's written permission to be able to travel
- you need a valid reason to make the trip
- you can work overseas if you receive your trustee's consent

Myth

You'll never be able to apply for credit again

Busted!

After your bankruptcy has ended (generally 3 years and 1 day from when your bankruptcy application was accepted), there's generally no restriction on applying for loans or credit. Credit agencies keep a record of your bankruptcy for:

- 5 years from the date you became bankrupt
- 2 years from when your bankruptcy ends (whichever is later)

Myth

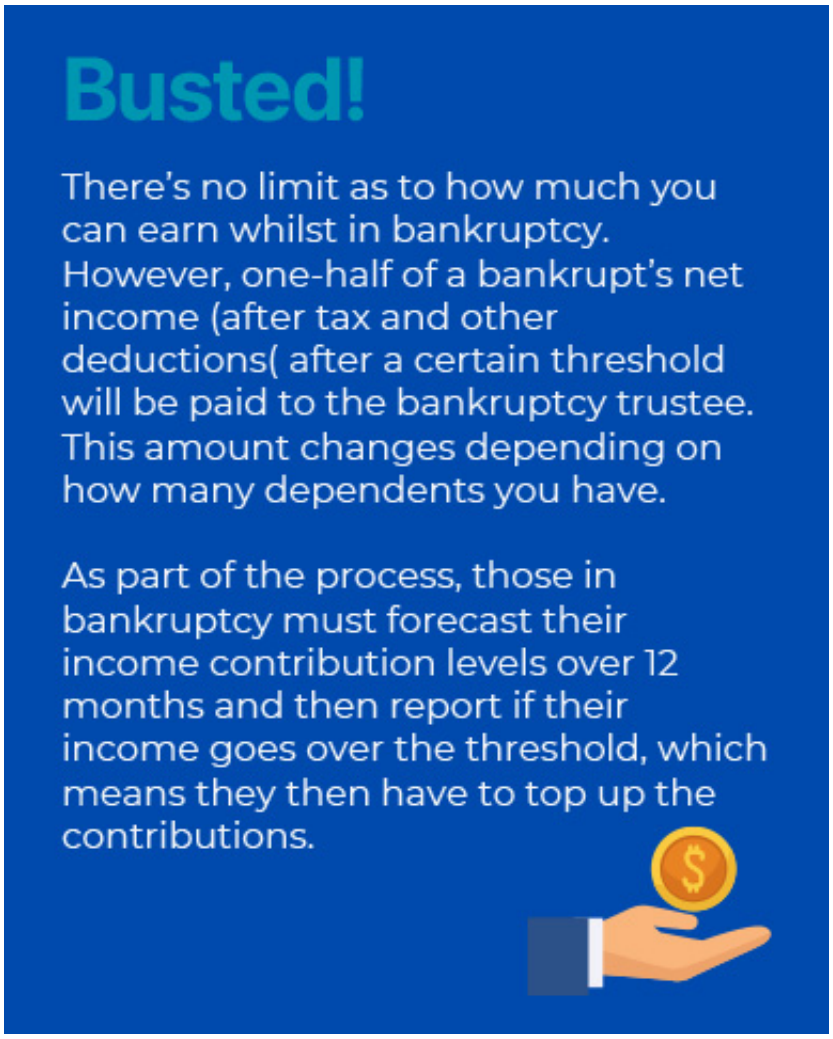
Being bankrupt means you're a failure

Busted!

For many, filing for bankruptcy is the best decision they can make. Bankruptcy law is designed to alleviate debt in a structured and monitored way. Clearing the debt and starting again is important for people's mental health as once this stress is gone, you can work on a financial plan for your future in a less stressful environment. Rather than being a failure, bankruptcy is a sensible way to get your life back on track and to move forward.

Myth

You can't earn money when you're a bankrupt



The worst thing to do is not to tell anyone if you're in financial distress. At the end of the day, you are dealing with numbers on a page. They aren't worth the stress on your body, your mind and your relationships.
– Stewart Free, Jirsch Sutherland, Bankruptcy Trustee