

Life after Bankruptcy

In Australia, you can start recovering fairly quickly from the trauma and stress of the days and weeks and months, and sometimes years of worry leading up to the time of actually making the decision to go bankrupt, and doing it.

Declaring yourself bankrupt, never let a creditor send you bankrupt, is a very big step, one of the biggest that you're likely to take in your lifetime.

It can be a very lonely step too, because you are not likely to have confided in too many of your family and friends about your actual financial position in the time leading up to making the decision, the bankruptcy step.

Fortunately, having made the decision, it doesn't take long for the formalities to be completed. Without having to go to court, you can actually become bankrupt and out of debt in about a week.

Most bankruptcies in Australia are not business related either.

The majority of people who declare themselves bankrupt are just ordinary people who, due to some unforeseen happening, now find that the wheels have fallen off and so they can't pay their debts off at the rate and in the time frame expected demanded, of them.

Most are in a job, and most have looked at the so called alternatives on offer, like Debt Agreement Proposals, and have realized that these are not the answer that they are promoted to be.

After researching bankruptcy, and it sometimes takes a bit of courage to take that step, people facing bankruptcy are often surprised to find that there is life after bankruptcy.

Most didn't know for example that as a bankrupt, in Australia the minimum amount of their weekly salary or wage that they can keep, in other words it can't be touched by a creditor or their bankruptcy trustee, is \$771.75 per week as at 1st April 2008.

That's called the Threshold Amount. This amount gets adjusted each March and September.

The minimum \$758.80 is also net, after tax and after paying child support, if that is applicable. In other words, it's the bankrupt's weekly spending money.

That's also assuming that the bankrupt has no dependants. If there are dependants then the amount is more, there's a sliding scale. For example, with one dependant the minimum amount of net wage that that a bankrupt can earn and keep is \$910.67 cents per week (net don't forget), and with four dependants it is \$1,034.15 (net) per week.

The Australian Government intends that a bankrupt does have the chance to recover, and to have a reasonable amount of retainable income on which to decently live, and to be able to start to recover from whatever went wrong to cause the bankruptcy.

If a bankrupt earns more than the net Threshold Amount applicable to them, taking into account the number of dependants that they have, then during the three years of the bankruptcy the bankruptcy trustee can only require the bankrupt to contribute 50% of the net weekly wage that goes over the Threshold Amount, to their bankruptcy.

These Threshold Amounts and the 50% of the excess requirement only applies for the three year term of the bankruptcy. After that the now ex bankrupt can keep all of their income.

If during the 3 years of their bankruptcy, a bankrupt saves and then buys an asset like a speedboat for example, then the bankruptcy trustee can claim and sell the speedboat because it's no longer their income that they haven't yet spent, nor is it the sort of asset that a bankrupt can own in that time.

The bankruptcy trustee cannot claim any savings that the bankrupt generates out of this income, provided the amounts stay in the account that the salary or wage went into on day 1.

Bankrupts need not fear that they will lose many, if any, of their personal possessions either.

As a bankrupt you can retain tools of trade with a second hand value of up to \$3,150.

You can keep a vehicle that a dealer would pay you no more than \$6,300 if you wanted to sell it to him for cash. If it's secured by a Bill of Sale, then you can keep it as far as the bankruptcy trustee is concerned, if piece of equity in the car is no more than \$6,300.

For income threshold purposes, you can claim a person as a dependant provided their separate net income is no more than \$2,834.

So you see, bankruptcy really does allow ordinary people to get out of debt, to get back on their feet, and so be able to get on with their lives.