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AND 1,000+ CASES



TIPS, TRAPS, AND MYTHS OF BANKRUPTCY

BY DOUG CONSTABLE



Introduction

Bankruptcy is one of the most misunderstood financial tools available. For many, it feels like the end of the road—but in reality, it is designed as a reset button to help people move forward.

Unfortunately, myths, traps, and half-truths often cloud the facts, leaving individuals more stressed than they need to be.

This guide sets the record straight. By understanding the traps to avoid and the myths to ignore, you can make better decisions and face the future with confidence.



Common Traps People Fall Into

Trap 1: Ignoring debts until court action begins

Many people avoid their debts, hoping the problem will go away. Unfortunately, this usually leads to court judgments, added costs, and less flexibility. Seeking advice early gives you more options and reduces stress.

Trap 2: Using high-interest loans to cover unpayable debts

Taking out payday loans, personal loans, or borrowing against property at high interest may seem like a lifeline—but often it only deepens the problem. You can't borrow your way out of insolvency.

Trap 3: Over-reliance on unqualified advisors or 'quick fix' firms

When you're stressed, it's tempting to grab at any solution. But some operators charge high fees without offering real solutions. A qualified insolvency advisor provides clear, practical guidance without false promises.

Trap 4: Not considering alternatives

Bankruptcy is one option, but not the only one. Debt agreements, restructuring, and even liquidation may suit better depending on your situation. The key is to review all the options before making a decision.



The Biggest Myths About Bankruptcy

Myth: You'll lose everything

Reality: Bankruptcy law protects many essentials. Most household goods, tools of trade, and certain amounts of superannuation are safe. You may also keep a vehicle within the allowable value limit.

Myth: You'll never be able to borrow again

Reality: Bankruptcy does affect your credit file, but it doesn't permanently bar you from borrowing. Over time, with good financial habits, credit can be rebuilt.

Myth: It's the end of your career

Reality: While some regulated professions have restrictions, most jobs are unaffected. Many successful people have gone through bankruptcy and gone on to rebuild their careers and businesses.

Myth: Bankruptcy is shameful

Reality: Thousands of Australians declare bankruptcy every year. It is not a moral failing but a legal solution to financial difficulties.

Myth: It's forever

Reality: In most cases, bankruptcy lasts for three years. It is not a life sentence—it is a temporary step towards financial recovery.



Moving Forward With Confidence

Bankruptcy doesn't define you—it simply marks the end of one chapter and the beginning of another. With the right mindset and support, you can use this period to reset your finances, rebuild your confidence, and set yourself up for future success.

Surround yourself with trusted advisors—accountants, insolvency experts, and business coaches—who can guide you through the process and help you make clear decisions.

Take practical steps like budgeting, planning, and setting new financial goals. See bankruptcy as a tool for recovery rather than a punishment.


Conclusion & Next Steps

You are not alone. Thousands of Australians go through this process every year and come out stronger. Bankruptcy is not an ending—it's an opportunity to begin again.

If you are unsure about your situation or want confidential, experienced advice, reach out to:

- Resolvency (resolvency.com.au)
- Resolve Business Solutions (resolvebusinesssolutions.com.au)
- Doug Constable (dougconstable.com.au)

The right guidance can make all the difference in how smoothly you navigate this journey.



Bonus Checklist: Top 10 Do's and Don'ts Before Considering Bankruptcy

Use this checklist as a quick reference before making any decisions. It highlights the most important actions to take—and mistakes to avoid—when you're considering bankruptcy or exploring alternatives.

- ✓ **DO** seek professional advice early—don't wait until it's too late.
- ✓ **DO** gather all your financial records and obligations in one place.
- ✓ **DO** consider alternatives such as restructuring or negotiation.
- ✓ **DO** communicate openly with your accountant or advisor.
- ✓ **DO** protect your mental health and seek support if needed.
- ✗ **DON'T** ignore letters from creditors or the ATO.
- ✗ **DON'T** rely on myths or 'pub talk' about bankruptcy laws.
- ✗ **DON'T** transfer assets without professional advice—it can backfire legally.
- ✗ **DON'T** assume bankruptcy is the end—it's a tool for a fresh start.
- ✗ **DON'T** make rushed decisions—take time to weigh your options properly.