

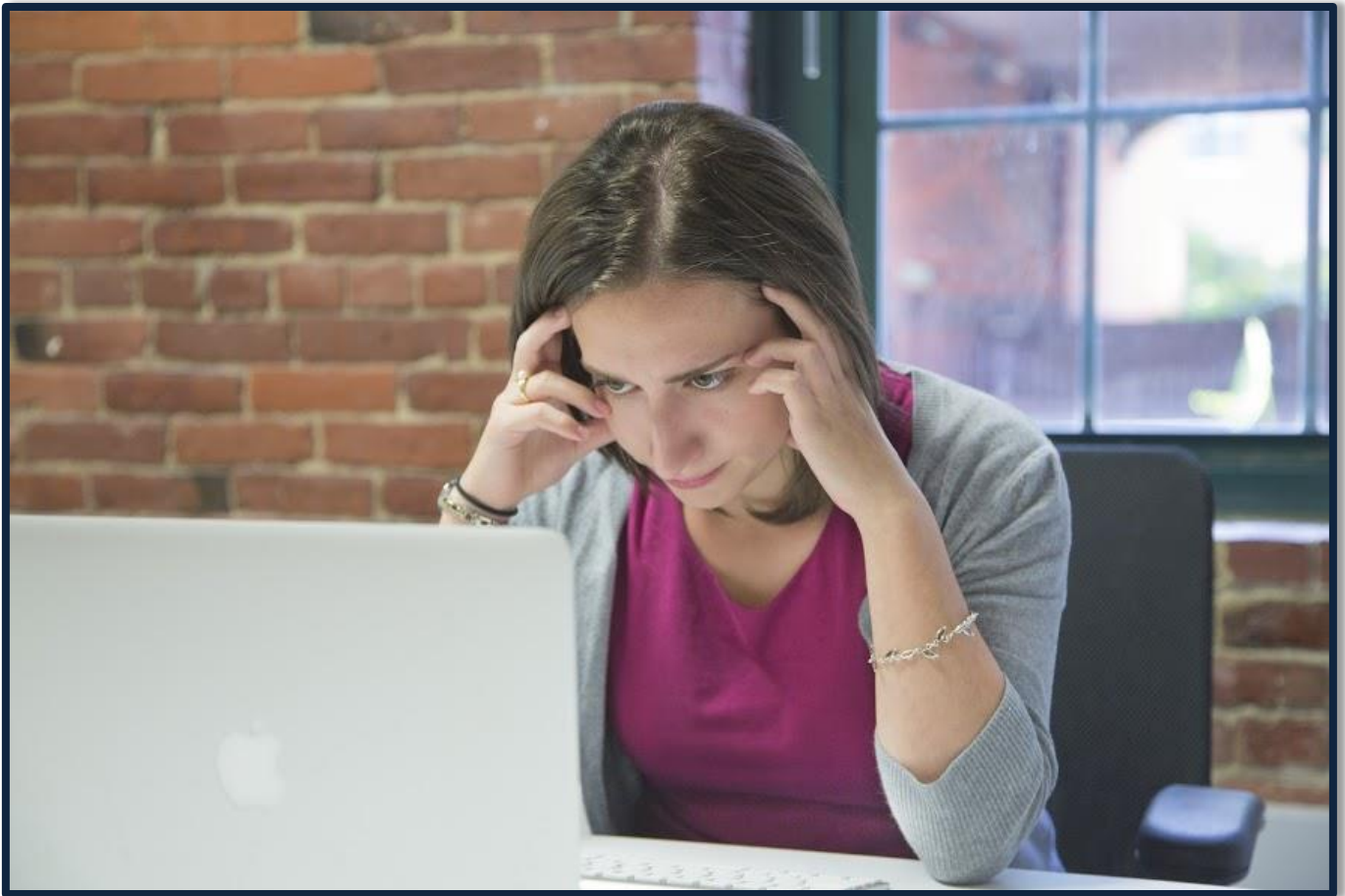
# KENTUCKY BANKRUPTCY VS. A DEBT CONSOLIDATION COMPANY

## WHAT ARE THE PROS AND CONS?

*“In many cases, the monthly payment to the debt consolidation company is only slightly lower than the total of all of your monthly payments combined.”*



**Musselwhite Meinhart & Staples, PSC**

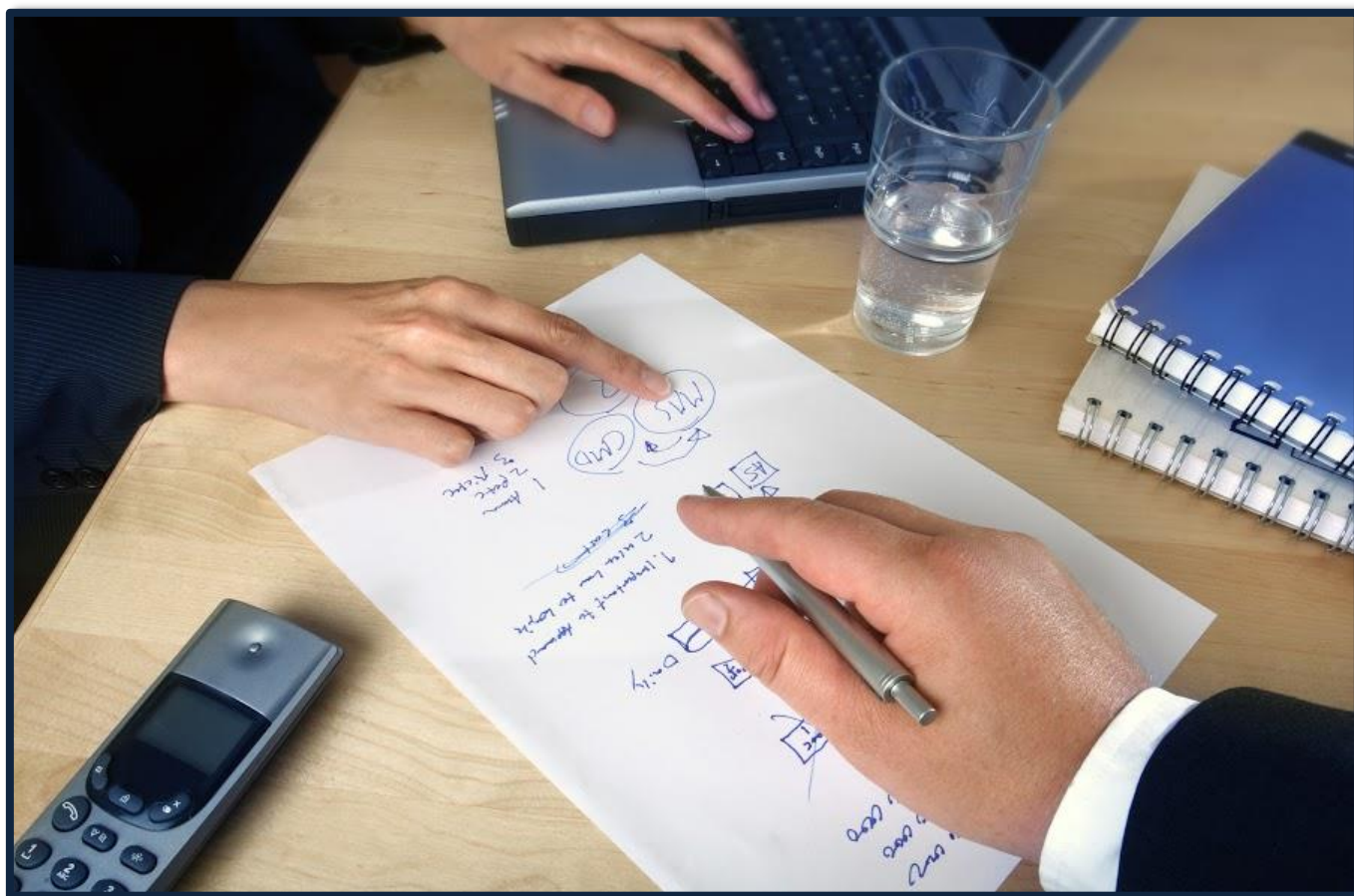


Are your debts keeping you awake at night? Do you worry about how you will pay for your family's living expenses? Does the thought of losing your home terrify you? If so, you are not alone. According to a [recent survey](#), more than one-half of Americans say they are in too much debt to save for retirement. [USA Today](#) reports that 35% of Americans are delinquent in paying their debts. For many individuals, the choice of paying for shelter and food override paying on unsecured debt such as credit cards, medical bills, and personal loans.

Most individuals consider filing bankruptcy or using a debt consolidation company when they are in financial trouble. The experienced bankruptcy attorneys of Musselwhite Meinhart & Staples, PSC have been assisting individuals in Kentucky

for over 50 years as they struggle to make the decision whether to file for bankruptcy relief or use a debt consolidation company.

In order for you to make an informed decision about the best way to resolve your debt problems, we offer free bankruptcy consultations to answer all of your bankruptcy questions. Contact our office toll-free at **1-800-754-HELP** to schedule your appointment.



# WHAT DOES A DEBT CONSOLIDATION COMPANY DO FOR ME?

A debt consolidation company attempts to negotiate with each of your creditors to obtain a lower interest rate, longer term, and a reduction in the balance owed on the account. You make one monthly payment to the debt consolidation



company rather than paying your individual creditors. The debt consolidation company uses your monthly payment to pay your creditors.

While this may sound appealing, there are far more disadvantages to using a debt consolidation company than there are advantages.

## PROS OF USING A DEBT CONSOLIDATION COMPANY:

- You may be able to lower the interest rate on some of your debt.
- Creditors may agree to stop assessing late fees and other fees on the account.

- You only make one single payment each month to the debt consolidation company rather than paying multiple creditors.
- Some creditors may reduce the amount owed on the account if you can make a one-time lump sum payment toward the debt.
- You may be able to avoid filing bankruptcy.

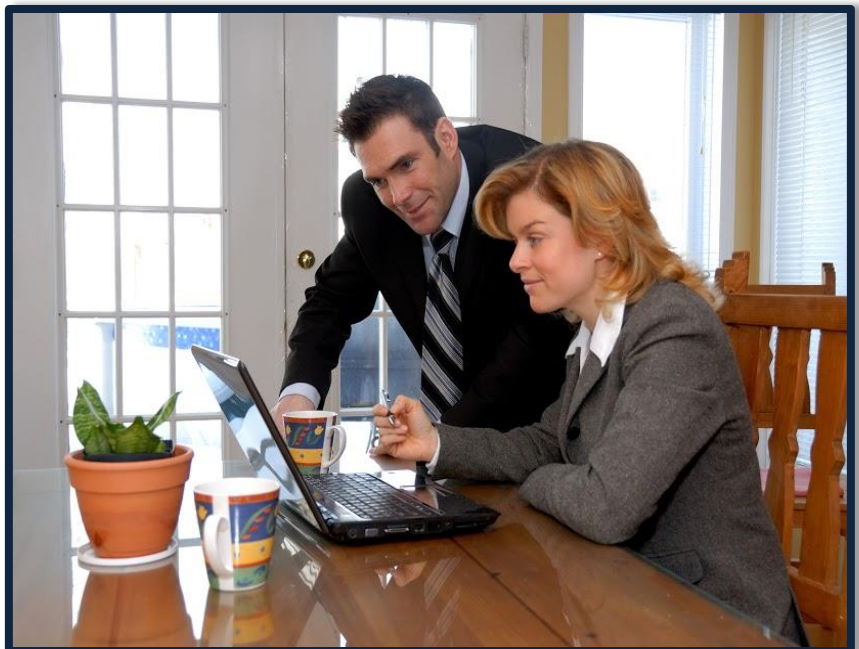


## **CONS OF USING A DEBT CONSOLIDATION COMPANY:**

- Creditors are not required to negotiate with you or the debt consolidation company.
- You may have some creditors that you must pay outside of the debt consolidation plan.

- Creditors will continue to report negative information on your credit report, especially if you are not paying the full amount owed on the account.
- Creditors can continue to take steps to collect the debt including filing a collection lawsuit.
- You must pay fees to the debt consolidation company for this service.
- The fees charged by the debt consolidation company and the additional interest you pay to your creditors over the term of the plan may equal more than you would pay if you continued to pay each creditor individually.
- For any debt that is “forgiven” by a creditor, you must report this amount as income on your tax return causing your income taxes to increase.

While using a debt consolidation company may be a good option for some people, it is often not the best solution to debt problems. In many cases, the monthly payment to the debt consolidation company is only slightly lower than the total of all of your monthly payments combined. If you were struggling to pay the debt



with your current income, it is likely you will continue to struggle to pay the monthly payment to the debt consolidation company.

Bankruptcy may be a better solution because bankruptcy offers several benefits that a debt consolidation company cannot provide.

## **PROS OF FILING BANKRUPTCY:**

- Creditors do not have the option to “opt out” of a bankruptcy case.
- If you qualify for Chapter 7, you can erase most, if not all, of your unsecured debts without making any payments.
- Creditors cannot continue collection efforts after the bankruptcy case is filed (i.e. lawsuits, foreclosures, repossessions, wage garnishments, etc.)
- You are not taxed on any debts discharged through your bankruptcy.
- The fees for filing bankruptcy are less than the fees you will pay a debt consolidation company.
- If you file a Chapter 13 case, you will also have one monthly payment for unsecured debt.
- Bankruptcy provides a fresh start with a clean slate.

## CONS OF FILING BANKRUPTCY

- Bankruptcy filings are reported on a credit report for up to 10 years; however, many debtors see an increase in their credit score within a year after the bankruptcy case is completed.
- Not everyone will qualify to file a Chapter 7 case.
- You cannot obtain new debt (i.e. finance a car) while in Chapter 13 without prior court approval.



Because each bankruptcy case is unique, there could be an issue that is specific to your case. Our attorneys thoroughly analyze your entire financial situation before advising you of the full ramifications of filing a bankruptcy case in your situation. Bankruptcy is an affordable solution to debt problems for many people. We encourage you to take advantage of our free bankruptcy



consultation to determine if bankruptcy is the best solution for your debt problems.

## **CONTACT AN EXPERIENCED BANKRUPTCY ATTORNEY**

***WE'VE HELPED THOUSANDS OF KENTUCKY FAMILIES, WE CAN HELP YOU!***

The bankruptcy lawyers of Musselwhite Meinhart & Staples, PSC have over 50 years of combined legal experience. If you are struggling with bills you cannot pay, we can help you. We represent clients throughout central Kentucky.

Contact us at our Radcliff Office in Hardin County at **(270) 351-6032** or toll-free **at 1-800-754-HELP** to schedule a free consultation with one of our attorneys. We assist residents of Hardin County and all of Central Kentucky file for bankruptcy relief. You may also contact our office through our convenient [online contact form](#).

## **About the Author**

Paul Musselwhite, Carol B. Meinhart, Kimberly Staples, and Robert D. McIntosh are the experienced and knowledgeable attorneys that make up Musselwhite, Meinhart & Staples. With over 50 years of combined experience, they have been serving the legal needs of individuals, military service-members and families in Hardin county and all of central Kentucky with pride and dignity.

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