

4 Ways to Stay Out of Bankruptcy Court - Transcript

Tom Mullooly: In episode 152, a bankruptcy judge has tips to help you avoid a trip to her bankruptcy court. Stick around. Welcome to the Mullooly Asset Show.

We talked about four tips that a bankruptcy judge has to help you stay out of her courtroom. These are tips that come from Judge Margaret Cangilos-Ruiz. She's the chief judge for New York's Northern District Bankruptcy Court. These are worth listening to.

The first one she said is you should know your credit card balance. First of all, she says you should pay off your balance every month. Don't overspend, which is something that seems to be the American way. If you can't pay it all off in one month, you should have a plan to pay it back as soon as possible. If you're buying things on a credit card for points, that's very dangerous, and it might wind up being something that backfires on you. She also says it's important to know your credit score and how it can change with purchases and credit attempts. So, you should be aware of these things that are going on.

Second thing she said was know your numbers. We say this all the time in meetings with clients. You should not only know your spending numbers, but you should know your savings numbers too. It's the number one issue we see here is folks come in, they want to do a plan, but they just don't have a grip on where their numbers are. She talks about the the daily latte from Starbucks, and she said, "Hey. Skipping the daily latte may not keep you out of bankruptcy court, but it's a symptom of a spending habit that you may want to get under control." Judge said that most bankruptcies that wind up in her court involve people who have zero savings. So, when an unexpected emergency comes along, it can really cripple some folks financially.

The third thing that she said was 42% of credit card debtors say they have trouble making ends meet on a monthly basis. That's even in a good economy in 2019. it's a little scary. So, her third point was get educated in finance, financial literacy, and what all these terms mean.

The fourth point that she said was maintain your financial independence. There's a lot of women and a lot of kids who are relying on a breadwinner. Divorce, death, these folks wind up in a jam. It happens all the time. You've got to learn to maintain your own financial independence.

These are all really good points from someone who's not even in our business, but sees the result of people having some problems with their money. You need to get a grip on this stuff.

If you've got someone in your life that needs help getting over the hump of some of these problems, get in touch with us or speak to a financial planner close to you.

Thanks for tuning in to episode 152, and we will catch you on the next one.