



Surviving the Emotional Toll of Bankruptcy

Financial stability can't be achieved without first overcoming feelings of grief, shame, and fear

By [DANIEL BORTZ](#)

January 18, 2013

Maybe money can't provide happiness, but it can certainly inspire negative emotions, including sadness, grief, and shame. Those are just a few feelings people may experience when they claim bankruptcy.

Chapter 7, the most common form of consumer bankruptcy in the United States, involves handing over one's non-exempt assets to a trustee, who then allocates funds to the filer's creditors, eliminating all or most of his or her debts. With Chapter 13 bankruptcy, filers undergo a financial reorganization to pay off debts with a goal of preserving assets, such as an estate. Those who file for Chapter 7 are typically people who find themselves in such financial ruin that it's not worth filing for Chapter 13.

While the financial consequences of bankruptcy are disconcerting, the mental burden can be overwhelming, with wide-reaching effects. "It's important to acknowledge the act of filing bankruptcy can be psychologically difficult, cause stress on relationships, and even be traumatic for a family," says Joseph Goetz, president of the Financial Therapy Association.

The focus is often on the financial steps—compiling a comprehensive list of debts, hiring an attorney, seeing the case through—but neglecting the emotional aspect can have long-term consequences. Many people who turn to bankruptcy have juggled their debt for so long that they're emotionally exhausted by the time they're ready to file. According to Rebecca Snyder, president and founder of Evergreen Financial Counseling in Salem, Ore., the problem is more internal than external. "Oftentimes a person's self-esteem takes a stronger hit than their finances," she says.

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Many perceptions about bankruptcy are false, according to financial therapists, who provide counseling to people in need of emotional support due to a monetary crisis. While many general psychologists have offered this form of treatment for a number of years, the financial therapy industry is a relatively new field that has grown significantly in the past few years, as more people are coping with the effects of the poor economy. Filers may be concerned they've accumulated so much debt that bankruptcy won't offer relief, worry what their family thinks about the situation, or assume their credit score will be permanently destroyed. Such misguided beliefs build anxiety and fear, and only make the process more taxing. Yet no matter how much debt someone owes, bankruptcy is always a viable option. Some family members may disapprove, but their judgments are irrelevant if bankruptcy is the best solution. Yes, bankruptcy is a black mark on a credit history, but it is erased after 10 years.

"Bankruptcy is never something someone wants to fall into, but it gives you the breathing space to make a fresh start," says Andrea Fisher, an attorney with Squire Sanders in New York City who specializes in bankruptcy. When a client feels isolated—like they're the only person who has filed for bankruptcy—Fisher emphasizes they're not alone in that frightening financial realm. "Misery loves company," she says. "Show them the statistics. Let them know that there are a lot of other people who file for bankruptcy."

Some believe an attorney's role is strictly to provide legal services, not emotional support. Snyder disagrees: "My opinion is that the relationship is very similar to a doctor and his bedside manner. You can have a doctor who tells you that you have one year left to live and you can look at them and feel their emotional support. Some attorneys can and should provide the same kind of hope to their clients."

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However, sometimes the process is so overwhelming that people break down in their attorney's office—or even the court room. To avoid the latter situation, Fisher says attorneys should validate their client's feelings throughout the process and help them feel empowered to take control of their finances and their emotions. "They need to realize that this is not something they have to let continually upset them," she says.

Additionally, it's important for people to reverse their view of bankruptcy. Goetz says many think of it as something shameful and indicative of failure, when it should be seen as a path to a new beginning.





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