

Consequences of Bankruptcy Fact Sheet

Bankruptcy Consequences Overview

It goes without saying that becoming bankrupt has significant consequences. Advice should be sought from us when contemplating bankruptcy as your particular circumstances will have to be assessed and advice provided specific to your particular circumstances.

The following are some of the implications of becoming bankrupt:

- Ordinarily, the period of bankruptcy is 3 years, however this may be extended for up to an additional 5 years in certain circumstances including where you fail to cooperate with the administration of your bankrupt estate, hide assets from your trustee or fail to provide details of your income.
- Your trustee will identify and realise/sell all of what is referred to as your divisible property for the benefit of your creditors. This includes real estate or property (including your share of jointly owned property), business assets, motor vehicles valued in excess of a prescribed amount, shares in companies or businesses, assets that you acquire after becoming bankrupt such as an inheritance or lottery win, and tax refunds relating to income years prior to bankruptcy.
- The trustee will undertake an investigation following commencement of your bankruptcy to identify any undisclosed assets or income and pre bankruptcy asset transfers designed to protect assets in anticipation of becoming bankrupt.
- You will be able to keep certain assets under bankruptcy including household and personal property, motor vehicles and tools up to a prescribed value, superannuation, entitlement to or compensation for a personal injury including assets purchased with such compensation, and assets that you hold in trust for others.
- Your income is assessed annually by your trustee and if you earn in excess of the threshold amount you are required to contribute a portion of such excess to the trustee.
- You will be required to obtain the consent of your trustee if you wish to travel overseas.
- You will be prevented from being involved in the management of corporations for the duration of the bankruptcy term.
- Whilst you will be released from the obligation to pay most of your debts as at the date of bankruptcy, there are certain debts including child support and fines that you will still be required to pay.
- The ability to remain employed in certain occupations including those requiring security clearances can be affected by bankruptcy.
- Your credit rating will be severely affected and it will be very difficult, if not impossible to obtain credit and it may pose difficulties in circumstances where you apply for a lease on a house/unit.
- Your details will be permanently recorded on the National Personal Insolvency Index, a database maintained by the Australian Financial Security Authority.

Advice should be sought from us if you are contemplating bankruptcy as your particular circumstances will have to be assessed and advice provided accordingly. We provide this initial advice at no charge during which we will provide you with our opinion regarding your options and the associated implications.

For more information
on bankruptcy visit:
slaventorline.com.au

