



NICHOLLS & CO.
CHARTERED ACCOUNTANTS
PERSONAL INSOLVENCY SPECIALISTS

Specialists in Bankruptcy
&
Debt Agreement Services

Bankruptcy Saving Families



Practice Note: 25/10/2022

Bankruptcy Helping Couples in Debt

Young Couple with Swamping Debt Bankruptcy May Help

In this Practice Note, we look at how bankruptcy can be used to help a young couple who have two children and unfortunately find themselves swamped by excessive debt. Many think of bankruptcy as 'what you do when you cannot pay your debts'. Fortunately, bankruptcy is much more than that. Bankruptcy can assist the young couple to get past their swamping financial problems, start creating a financial future and get on with life.

We now look at how bankruptcy can help:

1. Bankruptcy Extinguishes Debt

- A benefit of bankruptcy is, all debts caught by bankruptcy are extinguished permanently, without cost. This includes ATO debt.

2. Bankruptcy Helps to Reset for a Financial Future

Bankruptcy helps the young couple shape their financial future by:

- Protecting the young couple's incomes. While bankrupt they will each have their taxable income protected up to \$110,110 plus super. Only once this threshold amount is exceeded would that individual have to contribute a small percentage of his or her total income to the bankrupt estate. The threshold amount is adjusted for the CPI every six months.
- There is no limit on how much a person can earn during bankruptcy.
- During bankruptcy, wages saved by the young couple and held in their bank account are protected for their use once discharged from bankruptcy.
- The young couple's accumulated statutory superannuation funds are protected when they become bankrupt, as are their employer's super contributions during bankruptcy.

Bankruptcy, by extinguishing debts and protecting income creates the opportunity for the young couple to save and shape their financial future. Taking the financial pressure off the young couple will hopefully also strengthen their relationship.

How Bankruptcy Works

During bankruptcy, the young couple can:

1. Operate their own bank accounts and a joint bank account without the involvement of the bankruptcy trustee.
2. Have debit cards that are linked to the bank accounts.
3. Organise direct debits from their bank accounts for payment of bills.
4. Sleep at night knowing that saving from their wages is protected in their bank accounts.
5. Save for their future, there is no limit on the amount they can save in their bank accounts during bankruptcy.
6. Plan their future, knowing that funds saved in their bank accounts will be available for them to spend once discharged from bankruptcy. Note: their savings cannot be invested or used to purchase assets during bankruptcy.

Consequences of Bankruptcy

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Whilst bankruptcy will extinguish their debt it will also be shown on the young couple's credit record for the three years of bankruptcy plus the following two years. This will make it difficult for them to obtain a loan for five years. After five years the young couple can expect to have a clean credit record if they do not apply for a loan during that time.

Bankruptcies in Australia are regulated by the Australian Financial Security Authority (AFSA) and the record of the young couple's bankruptcy will permanently be on AFSA's record.

For further information, we recommend our article, Pros and Cons of Bankruptcy which can be accessed [here](#).

Nicholls & Co

Nicholls & Co are personal insolvency specialists. Personal Insolvency is our sole area of practice. We have been in practice since 1987 and service all States and Territories of Australia.

Should any of your clients have excessive debt and wish to explore how bankruptcy can assist them to resolve their debt and reset for the future, we welcome your enquiry for our independent, creditable advice.

Further Reading:

For further information on bankruptcy, we recommend the following articles:

- Wages, Super, and Spending can be accessed [here](#)
- Getting on with Daily Life which can be accessed [here](#)
- Can I Own Anything? Which can be accessed [here](#)
- Filing for bankruptcy, We are here to help which can be accessed [here](#)

Assistance:

For your questions on bankruptcy and how it can help the insolvent person to reset for the future call:

call [1300 060 122](tel:1300060122) or [email helpdesk@nichollSCO.com.au](mailto:helpdesk@nichollSCO.com.au).

ABC Radio:

Alan Nicholls' interview on ABC Radio, provides insight into the Nicholls & Co approach when we assist people to get past their severe financial problems. It can be accessed [here](#).

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Past Practice Notes can be accessed [here](#).

This newsletter is provided as general information only and is not advice. All client's situations are different and independent advice should always be obtained. If you

situations are different and independent advice should always be obtained. If you have any questions on bankruptcy, you are welcome to give us a call [1300 060 122](tel:1300060122) or email helpdesk@nichollsco.com.au.

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