

# Debt Consolidation vs. Bankruptcy

## Debt Consolidation:

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- **Streamlined Payments:** Combine multiple debts into a single manageable payment with a potentially lower interest rate.
- **Debt Consolidation Loan:** Obtain a new loan to pay off high-interest debts like credit card balances, simplifying payments.
- **Balance Transfer Credit Card:** Transfer balances to a new card with a lower introductory APR, saving on interest.

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## Bankruptcy:

- **Clean Slate:** Offers a fresh start but significantly impacts creditworthiness.
- **Chapter 7:** Liquidates assets to pay off debts.
- **Chapter 13:** Establishes a repayment plan over several years.

## Considerations:

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- **Debt Consolidation:** Simplifies payments and may reduce interest but requires careful comparison of loan terms.
- **Bankruptcy:** Offers debt relief but has lasting effects on credit.