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Back from bankruptcy: One B.C. man's struggle

By Gail | [Insight](#) – Fri, 17 Aug, 2012 10:59 AM EDT

Dave Malicki is the first to admit that once started working as a lawyer more than a decade ago, he lived large. He didn't think twice about dining in Vancouver's best restaurants several times a week or regularly flying overseas to visit his kids in England, where they lived with his ex-wife. [Financial planning](#) wasn't a priority, but spending was.

That's not to say he shirked his financial obligations; Malicki figured that when a big bill came in, a bigger cheque would roll in to cover it. Over time, however, with sky-high interest rates and easy access to credit, his monthly expenses trumped his income and he found himself in trouble -- \$95,000 worth of debt trouble, to be exact.

"I had a work-hard, play-hard lifestyle," Malicki says. "But after a while, the big cheque wasn't big enough. It became financial Tetris; things just started spiralling out of control."

Eventually, a friend suggested he considered [filing for bankruptcy](#). Malicki balked at first. Making the call to a bankruptcy trustee was the hardest thing he's ever done — and also the best.

Malicki's hardly alone. [According to Statistics Canada](#), consumer bankruptcies increased 122 percent between 1990 and 2011, from 42,782 to 77,993. In the 12-month period ending December 2010, nearly 97,000 Canadians filed [personal bankruptcy](#), while another 43,000 settled their debt management problems by filing a [consumer proposal](#). And the average [Canadian consumer's debt is breaking record highs](#), with liabilities sitting at \$25,960 (excluding mortgages).

"For me, bankruptcy was unheard of," Malicki says. "I figured that as a lawyer, I wouldn't be able to hold my head up. I dithered and dithered. In the meantime, sometimes I would pay thousands of dollars in interest a month trying desperately to honour my debts and get a handle on it, but I just couldn't.

"The amount of anxiety and stress involved was horrible," he says. My health was being affected: I had trouble sleeping, I had stomach problems. I even developed a facial tic."

He says desperation drove him to a bankruptcy trustee; he was willing to try anything. But after agreeing to file for bankruptcy and go for financial counselling, he says he felt as if he had a new lease on life.

"The trustee was very matter of fact and objective; he explained to me the reality of my situation," Malicki says. "He showed me a projection of my income and my ability -- or rather my inability -- to deal with my debt. It was a simple matter of doing the numbers. We went through my expenses and talked about my lifestyle. When I left there, I had tears of joy. It was one of the hugest reliefs I've ever felt in my life."

With agreement from his creditors, Malicki's trustee established a monthly payment plan. That was in 2005. In May of this year, the bankruptcy was cleared from his [credit report](#).

Lessons learned from bankruptcy

Besides freeing him of debt, Malicki's experience has resulted in positive lifestyle changes and valuable lessons learned.

"It's not like the flick of a switch where you declare bankruptcy and everything's going to be alright," Malicki says. "There is a downside. I couldn't buy a house for the next six or seven years. As a lawyer, I couldn't have my own trust account ... for a period of time. I couldn't get credit cards. But the inconvenience of not having credit and not being able to buy a house was

nothing compared to getting a second chance to start again on my life."

Through Sands & Associates, a B.C. firm of licensed proposal administrators and bankruptcy trustees, Malicki went for financial counselling that covered everything from emotional triggers for spending to budgeting.

"For the first three years after declaring bankruptcy, I wrote down every penny I spent and did a monthly budget," Malicki says. "That habit makes you aware of what you're doing. It changed my spending habits. I've always been able to meet financial obligations ever since, even on a low income, and my spending hasn't gone out of control even when my income has gone up."

The experience also helped him to realize his goal of wanting to work outdoors and with children. He's scaled back his criminal-law practice and travels regularly for work and volunteer projects: he's worked on a farm in England so he could be close to his adult kids and later this year will be helping build a school in Tanzania. He house-sits so that he has the financial and logistical freedom to pick up and move elsewhere for months at a time. And he does regular budgets, which include putting money aside for savings.

Blake Elyea, senior vice president of E. Sands & Associates, says that people should know there's nothing morally wrong with taking steps to deal with unmanageable debt.

"The hardest thing to do is make that call in the first place," Elyea says. "Younger generations are probably more comfortable than older ones, but it's still difficult. Seeking help the moment you identify the problem can often mean the difference between filing bankruptcy or filing a preferred consumer proposal, where you strike a deal with your creditors based on what you can afford to pay.

"The sooner you deal with your debts, the sooner you can press restart and begin rebuilding a positive future."

Elyea notes consumer proposals are becoming more common than bankruptcies, but that either one can yield positive outcomes.

"Most people want to pay their bills, but with 28-percent interest on credit cards, that can add up very quickly," Elyea says. "Getting help allows people to deal with their debt and move on so they're not burdened for the rest of their lives."

Elyea attributes the rise in personal financial troubles to today's unprecedented ease of access to credit and to various life circumstances that throw people financial curveballs: divorce, illness, unemployment, and the like. "Overspending and abuse are actually a small part of it," he says.

Be careful when it comes to finding a company that handles debt relief, however. The [Financial Consumer Agency of Canada](#) has issued a public warning to be cautious about companies that claim they can negotiate a deal to cut the amount of debt you must repay to your creditors, a process is called "debt reduction", "debt settlement", "debt relief", or "debt negotiation". [Debt services fall under provincial jurisdiction](#), and scammers exist.

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