



# CONSUMER PROPOSAL VS. PERSONAL BANKRUPTCY

No matter your ultimate financial and personal goals, it's essential to understand all the solutions available to you so you can make informed decisions and get a debt-free plan that's right for you and your unique situation.

Learn about some of the unique benefits provided with two solutions Licensed Insolvency Trustees offer, and the main differences between powerful debt management strategies available in Canada: Consumer Proposals and personal bankruptcy.

## Consumer Proposal

## Personal Bankruptcy

### Types of Debt Eligible



Both a Consumer Proposal consolidation and personal bankruptcy filing can include virtually all types of debt, including but not limited to:

- General consumer and business debts (credit cards, lines of credit, overdrafts, payday loans, personal debts, etc.)
- Government debts (taxes, business GST, etc.)
- Student loans (Federal, Provincial, private)
- ICBC debt
- MSP debt

*In Canada these are the only methods for reducing a balance owing/ getting forgiveness on government debts.*



### Negotiating Debt

- Consumer Proposals consolidate and cut debt down to what you can afford to repay. Reductions of up to 50-80% are common.
- Creditors will forgive the unpaid balance and consider your debt paid in full. Only 50% of your creditors (by dollar value) need to agree to your offer for it to be legally binding on all your creditors (even any who did not agree).
- Ongoing interest charges on debts will automatically stop.
- No borrowing is needed to consolidate debts into a Consumer Proposal.
- Your personal circumstances such as household unit, income, etc. are considered when determining your proposal terms.



- Most bankruptcies will automatically result in 100% forgiveness of all debts, with some exceptions.
- You do not need to seek permission from your creditors or apply to Court to file bankruptcy.
- No creditor can prevent you from seeking personal bankruptcy protection if you are unable to repay your debt.



### Monthly Payments



*Licensed Insolvency Trustee fees are set (and reviewed) by Federal government-regulated tariff, not a fee-for-service.*

- Paying your Consumer Proposal debt repayment with monthly payments is most common, but other terms may be offered.
- No payments are required besides what is being offered to creditors.
- Consumer Proposal fees are deducted from funds creditors receive, not paid out-of-pocket.

- Bankruptcy payments are based primarily on your household income. Most bankruptcies will require you to pay only the costs of administration / minimum fees.
- The fee in most personal bankruptcies is \$2,300 total (broken into a manageable payment plan).

### Strategies to Pay Off \$20,000 of Debt Illustrative Comparison: Monthly Payments Over 3 Years

\$664/mo



CONSOLIDATION  
LOAN

\$556/mo



CREDIT  
COUNSELLING

\$167/mo



CONSUMER  
PROPOSAL

\$500  
then \$225/mo



PERSONAL  
BANKRUPTCY

### Key assumptions:

Repay 100% of debt with 12% interest consolidation loan.

Repay 100% of debt without interest charges. Professional fees will be extra.

Repay 30% of debt without interest – 70% written-off. No additional professional fees applicable.

Full forgiveness of all debts. No surplus income requirements, minimum bankruptcy fees only.

### Creditor & Asset Protection



- Both Consumer Proposals and personal bankruptcy provide legal protection/ a 'stay of proceedings' from creditors.
- Creditors will immediately be prohibited from contacting you for payments or collection action.
- Wage garnishments, bank account freezes and court proceedings will be halted.
- You can choose whether you want to continue with payments on secured debts such as your mortgage or vehicle financing.

- Unless you choose to offer an asset as part of your Consumer Proposal, you can expect to keep all your assets.

- Most people will keep all their assets in a personal bankruptcy filing, including RRSPs, a vehicle and more.

### Time to be Debt-Free

- Terms of 24-48 months are common but have lots of flexibility to vary depending on your situation and overall needs.
- Consumer Proposal payments must be completed within 60 months. A different type of proposal is possible if you need to pay over a term longer than 5 years.
- You can pay off your Consumer Proposal early to finish sooner.



- In most bankruptcies it takes only 9 months until you are discharged (released).
- If you have a higher income bankruptcy may last for 21 months; if you have filed bankruptcy before it may last 24-36 months.
- In most scenarios personal bankruptcy is the quickest and least expensive way to legally eliminate unmanageable debt.

### Credit Rating Impact



- You can apply for new credit any time.
- Private one-on-one financial counselling will be provided by a qualified Insolvency Counsellor, focusing on credit scores and best practices, money management, financial literacy and more.

- In BC an R7 rating will be noted on your credit history for 3 years after your Consumer Proposal is completed, or 6 years from the date of filing, whichever is soonest.

- In BC an R9 rating will be noted on your credit rating for 6 years following your discharge from bankruptcy.

### Debt Help Expertise & Qualifications

- ✓ Licensed Insolvency Trustees are the only professionals empowered and endorsed by the Canadian government to help consumers reduce or eliminate their debts.
- ✓ Working with a Licensed Insolvency Trustee affords you the highest calibre of transparency and consumer assurance.
- ✓ The Office of the Superintendent of Bankruptcy oversees all licensing and regulation, including professional conduct and adherence to a Code of Ethics.

Sands & Associates' qualified Licensed Insolvency Trustees will help you understand and compare all your debt management options so you can choose the solution that's right for you.

**We take a supportive non-judgmental approach to debt help services and confidential consultations are always free.**



**SANDS**  
& ASSOCIATES

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Licensed Insolvency Trustees