

## ALTERNATIVES AVAILABLE FOR INSOLVENT INDIVIDUALS

### Bankruptcy

All assets are sold other than the following:

Necessary household furniture and effects;  
Tools of trade (limited);  
Motor vehicle up to the value of \$6,000;  
Life insurance and superannuation policies (limited).

Usually you remain bankrupt for a period of three years.

Bankrupt must hand passport to trustee.

Requires permission from trustee to travel overseas.

Post bankruptcy income subject to income contributions  
over a certain limit.

Must not manage a corporation.

When obtaining credit in excess of \$4,000 you must advise  
the financier you are an un-discharged bankrupt.

### Personal Insolvency Agreements (PIA) Part X

Formal arrangement with your creditors, that details how  
you plan to deal with your debts, i.e. repayment over time,  
contribution from third parties, etc.

Binds all of your creditors.

Usually must offer more than would be available in  
bankruptcy.

Needs to be accepted by a special resolution of creditors:

At least 50% in number  
At least 75% in value

### Debt Agreement

Available for individuals with low levels of debt, few assets  
and low incomes.

Debt agreement could provide for;

Payment of less than the full amount of your debts;  
Periodic payments out of your income.

Your assets and creditors can not exceed the  
threshold amount.

Binds all of your creditors.

Special resolution of creditors required:

At Least 50% in number;  
At least 75% in value.

### Informal Arrangement

An agreement between you and your creditors e.g.  
suspension of your debt repayments for an agreed period,  
or an agreement that you repay your debts by instalments  
over time.

Not legally binding on you or your creditors. Creditors may  
change their mind and decide to bankrupt you.

One creditor may not agree with the informal arrangement  
and apply for your bankruptcy at any time throughout the  
informal arrangement