

How Can Bankruptcy Affect Your Mental Health? Psychologists Offer Coping Strategies

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With the emphasis society puts on money and materialism, being in debt is not looked highly upon. Bankruptcy is even worse. Imagine what having no money can do to someone’s state of mind.

Bankruptcy seems to be fairly common in this economy, so at least there is comfort in numbers. Although most people think of businesses filing for bankruptcy, consumers or individuals can file for different types of bankruptcy as well.

According to the American Bankruptcy Institute, “U.S. consumer bankruptcy filings totaled 1,165,172 nationwide during the first nine months of 2010 (Jan. 1 to Sept. 30), an 11 percent increase over the 1,046,449 total consumer filings during the same period a year ago.”

Bradley Klontz, a clinical psychologist in Hawaii, is a co-author of “The Financial Wisdom of Ebenezer Scrooge: 5 Principles to Transform Your Relationship with Money,” and said that bankruptcy can affect mental health.

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“Bankruptcy is an enormous financial and psychological stressor,” Klontz said in an e-mail. “Financial stress can lead to a loss of personal control, depression, anxiety, shame and relationship problems.”

Many people put too much emphasis on money, so that’s why suffering can result from bankruptcy.

“Many of us confuse our self-worth with our net-worth,” Klontz said. “As such, financial problems can deal devastating blows to our self-esteem. Bankruptcy can lead to feelings of guilt and shame, and cause us to isolate from our family and friends out of embarrassment.”

However, in times of despair especially, social networks are necessary to psychological health.

He said that men may suffer more because they are considered the main provider of finances, and women generally deal with the strain better.

“Women often have a more balanced sense of self, as they tend to have closer emotional and social ties to family and friends,” Klontz said. “As such, their sense of self and value to others is often more diversified than men, whose self-esteem may be invested exclusively in their role as a provider.”

Here are some ways Klontz said bankrupt individuals can deal with mental health effects:

- 1) “It is important to recognize that financial setbacks are normal. Chances are you were not taught everything you needed to know about money, so give yourself a break. Examine the choices you made, or those you avoided making, that contributed to your problems.”
- 2) “Get honest with yourself, and don't fall into the trap of placing all of the blame on other people or circumstances. Those of us who deny our role in our financial messes are much more likely to recreate them in the future.”
- 3) Identify where you are weak, and commit to educating yourself and/or seeking some expert financial advice so you can avoid future pitfalls.
- 4) Avoid depression and despair by recognizing your power to do things differently.

Always remember you are not alone.

“It is important to know that the average millionaire has experienced two or three major financial setbacks on their way to financial success,” Klontz said. “So don't get mired down in the emotional glue-trap of shame and despair. Stand-up, dust yourself off, commit to doing things differently, and start over.”

Kristl Davison, a clinical assistant professor of management at University of Mississippi, said that bankruptcy can have some less stressful elements.

“There is a sense of relief from having the debts discharged, not having to worry about finances so much [and] not having collections call frequently,” Davison said.

However, generally individual bankruptcy happens from other stressful factors like losing a job, so those can still affect mental health, she said.

Some mental health effects of bankruptcy could be depression, suicide, anxiety, panic attacks and burnout, Davison said, which is similar to effects from other financial issues.

She said it depends on the family situation as well. For example, a single mother with children would have more stress than a single male with no children.

“I think that a parent of either sex would also would worry about the children's perceptions, and whether declaring bankruptcy is a failure of the parent as a role model,” Davison said.

Some ways to deal with mental health issues related to bankruptcy are to pursue counseling and find support groups, as well as “prevent future financial hardship,” she said.

“Setting up a savings account for an emergency fund [and] doing careful budgeting ... are likely to help,” Davison said.

There are free online support groups and discussion boards for individuals who have gone through bankruptcy. There are also associations devoted to helping bankrupt individuals. General counseling is also a good option. Some states have low-cost counseling options or free counseling depending on the individual. Look under sources for more information. If you know of any support groups, provide information in the comments section.

Sources:

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