



The Truth About Bankruptcy

10 myths, and the real story behind them



11/06/2026

Prepared for: Company Directors & Business Owners
Prepared by: Resolve Business Solutions

Resolve Business Solutions Pty Ltd

Why I'm telling you this

Dear Director,

A fair question worth opening with: is there really a social stigma attached to declaring bankruptcy, or do we just feel there is?

Years back, I found myself staring down the barrel of business collapse. Litigation. The end of a company I'd built. I was completely alone in it -- emotionally and otherwise. Some days I struggled to get out of bed. I'd put on a brave face and head to work as if nothing was wrong, but the calls I wasn't answering, the default notices stacking up, and the silence of an apartment that had started to feel like a goldfish bowl told the real story.

I kept it from friends and family. None of them had been through bankruptcy, and I assumed they'd see me differently. I'd been to a lawyer who made me feel stupid. An accountant who told me, plainly, that I'd been losing money for years. Really -- who was the stupid one in the room?

Then one night at a wine bar, on my third glass with a close friend named David, I cracked. I told him what was happening. And in a quiet voice, he told me he'd been bankrupt himself.

That conversation was the moment everything shifted. Not because anything had changed in my situation, but because I suddenly knew I wasn't alone -- and I realised I'd been holding myself in the worst possible place by trying to be.

Why bankruptcy gets a bad reputation

Bankruptcy carries a reputation it largely doesn't deserve.

A society that treats it as something shameful usually doesn't understand what bankruptcy actually is, or the system we all operate inside. The industry doesn't help -- it markets itself in a way that's clinical and emotionally disconnected from the real distress most people are in by the time they're considering it.

By the time most directors and business owners look seriously at bankruptcy, they've exhausted every other avenue, including themselves. They've aged with worry. They've lived under crippling anxiety. Their health has gone sideways. Their family has felt the strain. And they feel hopelessly trapped.

The thing the system doesn't tell you: at the right moment, bankruptcy is a legal tool that lifts the weight off. The relief is real and immediate. The only regret most people have isn't that they declared bankruptcy -- it's that they didn't do it sooner.

What follows is the top ten myths that keep people stuck. Read them, run them past someone you trust, and see how many of the things you've assumed are actually true.

Myth 1: I have to deal with this alone, and face the Trustees myself

Not at all. The cleanest path is to work with a bankruptcy advisor who knows the system, has working relationships with Trustees and Liquidators, and can prepare the documents on your behalf.

A good advisor isn't there to judge -- they're there to take the pressure off, explain what you're facing, and walk you through every step. By the time you actually meet the Trustee, you'll know what to expect and what to say.

Myth 2: I won't be able to run my own business

You can't be a director of a company while you're bankrupt. That part is true.

But you can keep running your own business under your own ABN as a sole trader. Many bankrupts continue trading right through the bankruptcy period. The structure changes; the work doesn't have to stop.

Myth 3: I can't get finance while bankrupt

For the duration of your bankruptcy -- typically 3 years -- mainstream lenders won't extend credit. That part is true.

But a growing number of specialist lenders now operate in this space and provide finance to people who can't access traditional bank lending. The market exists. It isn't on the same terms as a normal loan, but it's there.

Myth 4: There's no way out of bankruptcy once it starts

There is. It's called annulment, and it works through a creditors' agreement.

A creditors' meeting is convened with your Trustee, and a percentage of the dollar value of your debts is offered to creditors. If the proposal is accepted, your bankruptcy is annulled -- formally treated as if it never happened. The agreed payment plan can typically run for up to two years.

The earlier this option is raised with a good advisor, the more credible the proposal usually is.

Myth 5: I can only earn a small amount

There's no cap on what you can earn during bankruptcy.

There is a contribution threshold -- if your income exceeds it, you pay half of the excess to your bankruptcy estate as an income contribution. The threshold is set by AFSA (the Australian Financial Security Authority), is indexed twice a year, and is adjusted upward if you have dependants.

Your advisor or Trustee will give you the current figure when you sit down with them. Being self-employed or working as a contractor can give you legitimate flexibility around how the contribution is calculated.

Myth 6: I'll have to pay creditors after bankruptcy

You won't.

Your bankruptcy runs for 3 years. On discharge, the debts that were caught by the bankruptcy are extinguished. You don't owe creditors anything further on those debts.

Bankruptcy will remain on your credit file for a defined period after discharge, but the underlying debts themselves are gone.

Myth 7: Even if my bankruptcy is annulled, I'll never get finance again

Annulment is different from discharge.

If your bankruptcy is annulled (through a successful creditors' agreement -- see Myth 4), it's treated as if it never happened. It does not appear on your credit file in the same way a completed bankruptcy does. If you're asked the question 'have you ever been bankrupt?' on a credit application, the answer can legitimately be 'no'.

Finance becomes available again straight away, on whatever terms a lender is willing to offer.

Myth 8: I'll lose my car

Most likely not.

Vehicles generally have low resale value on the wholesale market, so it's not worth a Trustee's effort to sell most cars to recover for creditors. There's also a statutory exemption for tools of trade and a vehicle up to a set value.

If you're in a finance arrangement and can keep up the repayments, you can usually keep the car.

Myth 9: Everyone will know I'm bankrupt

Unless you tell them -- and most people end up telling someone -- the answer is no.

Your bankruptcy is recorded on the National Personal Insolvency Index, which is publicly searchable. But practically speaking, no one searches it unless they have a specific reason to (a lender, an employer for certain roles, a contracting authority, etc.).

Unless you're in the public eye or someone is specifically checking, your friends, family, and most people in your life don't know -- unless you choose to share it.

Myth 10: My family home will be repossessed

The thought is frightening. The reality is more nuanced.

A Trustee is looking at one question: is there enough equity in the property to pay creditors after the costs of selling and the Trustee's own fee?

If there's no real equity above the mortgage, the home is often left alone. There are also legitimate strategies to protect a home before bankruptcy starts -- but they need to be put in place early, with proper advice. They aren't something you can do in the last fortnight.

This is one of the conversations worth having well before any decision is made.

What the other side of it actually looks like

The day my bankruptcy number came through, I felt a weight lift that I hadn't realised I'd been carrying. The constant low-grade panic. The mobile ringing with blocked numbers. The default notices. The voice in my head saying I'd failed. All of it eased.

What surprised me most was that the inspiration I'd had eight years earlier, when I first started the business -- the version of me that believed something was worth building -- was still there underneath. It had just been buried.

Bankruptcy isn't the end of anything. It's the line that lets you start again, on your own terms, with the lessons of the first round paid for in full.

If any of this is sitting at your kitchen table right now, the kindest thing you can do for yourself is have an honest conversation with someone who's been through it -- or who's helped people through it -- before another month goes by.

The Nature of Our Role

Resolve provides administrative support, coordination, and acts as your point of contact. We are not licensed to provide financial, legal, or investment advice -- where that's needed for your matter, we coordinate the right specialist practitioners (registered trustees, solicitors, accountants) around you.

That way you get the experience and firepower of a full team -- with us holding the whole picture together so nothing falls through the cracks.

The most liberating thing I ever did was declare bankruptcy at the right moment. The only regret I had was the years I spent thinking I had to carry it on my own.

— Resolve Business Solutions -- Over 35 Years Helping Australians Through Financial Distress

Next Steps

Director, if any of these myths have been holding you back from a clear conversation about your situation, that's the conversation worth having now.

Whenever you're ready, you can:

- Reply to this email
- Call us directly on 0499 499 899
- Email us at advisor@resolve.net.au

There's no judgement in this conversation -- only experience, options, and a way through.