

Preventing Bankruptcy

Name: _____ Date: _____

Preventing Bankruptcy and Finding Alternatives

This worksheet teaches kids how to avoid bankruptcy and what to do if they cannot pay their debts. To prevent bankruptcy, it's important to make and stick to a budget, pay off debts regularly, and save money for emergencies. If someone is struggling with too much debt, they can try debt consolidation, which combines all their debts into one easier payment, or they can get help from credit counseling services, which offer advice on managing money. Learning these tips can help kids handle their finances wisely and stay out of debt trouble.

Choose the best answer for each question.

1. Which of the following is a good way to avoid bankruptcy?

- A) Spending more money than you earn
- B) Creating and sticking to a budget
- C) Ignoring your bills
- D) Borrowing money for unnecessary items



2. What is one effective way to manage debt and prevent bankruptcy?

- A) Taking out more loans to pay off existing debt
- B) Using credit cards for all purchases
- C) Making a plan to pay off debts systematically
- D) Ignoring calls from creditors



3. Which of the following is an alternative to bankruptcy that involves working with creditors to reduce debt?

- A) Debt consolidation
- B) Increasing expenses
- C) Ignoring debt collectors
- D) Gambling to win money

4. What is one benefit of creating an emergency savings fund?

- A) It allows you to buy luxury items
- B) It helps you cover unexpected expenses without going into debt
- C) It guarantees a higher credit score
- D) It eliminates the need to work

5. Which of the following actions can help prevent bankruptcy?

- A) Keeping a detailed record of all expenses and income
- B) Spending impulsively without considering the budget
- C) Avoiding communication with creditors
- D) Relying on luck to manage finances



6. What is a credit counseling service?

- A) A service that helps you get more credit cards
- B) A program that provides advice on managing debt and finances
- C) A company that charges high fees to reduce your debt
- D) A place to deposit your savings



Answer Key

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