

MONEY MINDSET

The Truth About Wage Garnishment



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The Truth About Wage Garnishment

If you have a wage garnishment or a creditor attaches your bank account, you may be mad or just frightened. But the one thing you don't need is to be a victim. The law provides you with options to stop a garnishment. But these options are never easy, and the solution may not be to your taste.

What is a Garnishment?

A garnishment is a powerful document that a legal authority, such as a Court, issues. This document requires law enforcement, such as a sheriff or constable, to require your employer to turn over a part of your wages to pay a debt. In most places in the US, garnishment is a term that only applies to WAGES and occurs due to a judicial decision or Court Judgment. An order to take your bank accounts or other property is usually called ATTACHMENT. A government-related debt, such as a tax debt, publically insured student loan, or child support enforcement, may not require a Court order. Therefore, an employer has no option but to comply with a garnishment. If an employer were to ignore the garnishment, the garnishment could become the debt of the employer.

How much can a creditor take in a garnishment?

State laws specify what amount creditors can take through garnishment. For example, in Nevada, the amount a creditor can garnish will depend on your after-tax earnings. It is 25% of your income if your after-tax earnings are more than \$770.00 a week and 18% of your income if it is under \$770.00 a week. Twenty-five percent is typical throughout the US.

If two creditors try to garnish your wages, the one whose paperwork reached your employer first is paid first. The garnishment will continue for several weeks. Expect to lose money paycheck after paycheck until you either pay the entire judgment or the garnishment order expires. When the garnishment order expires, it is a simple matter for the creditor to obtain a new wage garnishment and begin the process all over unless you pay the debt in full.

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Besides obvious issues, how bad is a wage garnishment?

Probably the worst thing about a wage garnishment is all those things you don't know and don't understand. For example, your employer receives a fee for the extra accounting work needed due to wage garnishment. Law enforcement receives a fee for delivering the garnishment paperwork to your employer. Law enforcement also receives a commission from your wage garnishment. Your employer and law enforcement get paid before one dime of the court judgment is paid.

After paying these expenses, the money garnished next pays "administrative expenses." So what is that? Well, the always critical legal fees to the creditor and their court costs. After that, you might assume the money pays the judgment. But you would be wrong.

Interest on the judgment gets paid next. Depending on the amount of the judgment, the interest could accumulate faster than the amount garnished from your pay.

It is also a mistake to assume that the wage garnishment might be the only way a creditor can pursue you to collect. The creditor may direct law enforcement to your bank to attach or freeze the money in every one of your accounts. In addition, if you hold bank accounts for your children, their money could get caught up in this drama.

While garnishing your wages, a creditor with a court judgment can also seize your investments. So if you own rental property, an investment account, or even vacant land, you could lose these assets.

After paying off the wage garnishment, there are still more repercussions. The Court judgment is a "public record." Even after you repay this debt, it can remain on your credit for up to 7 years, seriously damaging your credit score and your opportunity to enjoy a better life.

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In dollars, what does a wage garnishment cost?

If you earn \$800 a week (after tax withholding), which would be a little more than \$20/hour, a wage garnishment can cost you \$200/week or \$400.00 with a bi-weekly paycheck. However, if your after-tax income is \$800.00 bi-weekly (or just over \$10/hour), a garnishment will take \$144.00 every payday.

How do you stop a wage garnishment?

The easiest and best way to stop a wage garnishment is never to let a court case become a judgment. If a creditor sues you, either challenge the lawsuit or reach a payment arrangement with the creditor. Another solution could be settle the lawsuit by paying a lump sum before it becomes an ugly court judgment.

If the court judgment is for a significant amount, or if, when added to your other debts, makes your debts overwhelming, bankruptcy might offer a solution. Bankruptcy is usually appropriate when the total amount of debt you can eliminate is more than \$20,000. With smaller amounts of debt, your solution is to find a way to persuade the creditor to work with you.

At my law office, A Fresh Start Law, I can stop garnishment proceedings through bankruptcy or by negotiating a settlement.

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Dorothy Bunce is an attorney in Las Vegas, Nevada who represents people with debt problems. She handled her first bankruptcy case in 1979.

Debt problems can happen for many reasons. Unfortunately, the law doesn't consider why a person winds up in debt. A sad story is not a legal reason for a judge to overlook a debt.

Laws which allow you to reduce or eliminate debts, including stopping a wage garnishment are much more practical.

Bankruptcy laws do consider whether you are able to pay your debts.

If you live in southern Nevada, you may be able to retain Attorney Dorothy Bunce to represent you to prevent a wage garnishments or stop it. Bankruptcy could be the answer, but it is not the only answer. You can reach out to Dorothy by email at dorothy@afreshstartlaw.com or you can call the office at 702-551-3256.