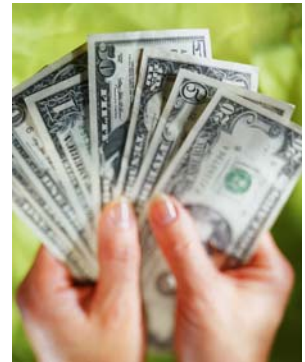


Help!! Should I Lend the Money??

Your brother-in-law calls and asks for a loan of \$3,000 to pay off a credit card. Your cousin wants a loan for a “sure bet” business opportunity. Your fiancée needs \$600 to make her car payment. Before you even consider writing a check, think through the following questions:

- **Can I afford to lose this money?** It’s essential to consider the possibility that you won’t be paid back. Consider the past. If this person frequently borrows money and seldom pays it back, the odds are not in your favor.
- **What will the money be used for?** If you are lending the money, you have the right to know the purpose. You might see clear to loan your daughter \$800 for rent, but how about if she wants a Caribbean vacation?
- **Is there another way I could help?** If home repairs are needed, could you donate materials and organize some helpers to do the work? If respite care is costly, could you volunteer to do it?
- **How does your spouse or partner feel?** It is always wise to discuss before promising anything. You may uncover financial needs at home of which you were unaware, or together you may find a way to loan money to one family member without causing resentment among others.



If you do decide to lend the money, take the following steps:

- **Write up a contract.** As the lender, you should determine the terms. Create a schedule of monthly payments and how interest will be applied. You can develop your own contract or download them from internet sites, have both people sign and keep copies. For larger loans you may want to use a company that administers family loans for a fee. Payments are drawn automatically from the borrower’s bank account which beats dropping hints and making requests for payback.
- **Get accurate tax advice.** Interest paid on family loans can be taxable to the lender. If the IRS disagrees with the rate charged, lenders may be hit with “imputed interest,” so if the loan is for more than \$10,000 or your family has made a series of recent loans and gifts, see a tax professional.
- **Write a check.** It’s never a good idea to give cash. Even when you have signed a contract, it is important to have a paper trail for protection.

If you decide you can’t or won’t lend the money requested, keep your response brief. If possible, indicate that while you cannot loan the money, you can offer a small monetary gift or help in some needed way. By not lending the money, you will be protecting your relationship from the perils that come with family loans.

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