

MANAGING FAMILY LENDING AND BORROWING

When deciding to give or receive financial support from a friend or family member, it's important to have an honest conversation about expectations and shared understandings. This allows a space to create clear boundaries and reach an arrangement everyone agrees upon, and helps maintain a positive relationship between the two parties.

The following questions can be a guide to start such a conversation, whether you are the one asking for support or providing it.

1. Who will be providing the financial support?

2. Who will be receiving the support?

3. How much financial support will be provided?

4. What is the financial support being used for? (e.g. utility bill, car payment)

5. How often will financial support be provided? (e.g. monthly, one-time)

6. Are all parties in agreement as to whether the financial support will be repaid?

7. If yes, what is the total amount that will be repaid?

8. If yes, how will the receiver pay back the provider? (e.g. monthly payments of \$30, childcare once a week)

9. If yes, when is it expected to be fully repaid?

10. If yes, what will happen if the receiver cannot pay back as planned? (e.g. we will have a conversation about alternative forms of payment, I will stop paying their cell phone bill)

11. When will you follow up about this arrangement?

Monetary gifts, and loans you forgive, generally do not affect taxes unless the amount is more than the annual exclusion. For more information regarding monetary gifts, loan forgiveness, and annual exclusions, contact a Certified Public Accountant or tax professional.

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