

Managing family lending and borrowing

Before financial support promises or resources are exchanged, talk with your friend or family member. A candid conversation can help create clear expectations, and a shared understanding can then form the basis of an arrangement that everyone can agree to. This can help friends and family work together to solve problems and maintain healthy relationships.

Whether you are the one asking for support, or providing support, you can start with the questions below. The answers can be a guide to a conversation, or they can form the basis of a written agreement.

- 1. Who is providing the financial support?** (examples: me, my mom, my friend John)

- 2. Who is receiving the support?** (examples: me, my cousin Trina, my daughter)

- 3. How much financial support is being provided?** (example: \$300)

- 4. What form of financial support is being provided?** (examples: cell phone bill; money for rent)

- 5. How often is the financial support being provided?** (examples: monthly; one-time)

- 6. Is everybody in agreement as to whether the financial support be repaid?** (yes or no)

Managing family lending and borrowing (continued)

7. If yes, total amount to be repaid? (example: \$300)

8. If yes, how will the receiver pay back the provider? (examples: monthly payments of \$20; by providing childcare twice a week for the school year)

9. If yes, when will it be fully repaid? (examples: September 1; after 4 payments; after my son pays back \$300)

10. If yes, what will happen if the borrower cannot pay back as planned? (examples: we agree to talk about an alternative way for her to pay me back; I will no longer pay his car payment)

11. When will we follow up about this arrangement? (examples: after 3 months; on September 1)

● Money gifts, and loans you forgive, generally do not affect taxes unless the amount is more than the annual exclusion. The annual exclusion amount is updated annually by the IRS. For more, please see www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes

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2 of 2

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