

Friends and Family Exchanges:

Giving and receiving financial support during a financial emergency

For practitioners

About this toolkit

Across the country, millions of American households are facing financial hardships caused by emergencies, most notably the COVID-19 pandemic and its economic fallout. For many, unemployment or underemployment has reduced incomes, drained savings, and increased debt. Others are struggling with increased health care or child care costs.

During a financial emergency, it is natural for people to turn to people close to them for help. It is also natural for people to want to provide help to their loved ones.

Family financial exchanges (FFEs) refer to the giving, borrowing, lending, or sharing of financial resources among friends or family members. Relying on FFEs can be an effective strategy for coping with hardships caused by financial emergencies. At the same time, financial emergencies may prevent some individuals from providing support to family and friends.

This toolkit can help you support your clients to:

-  Identify how existing or new FFE arrangements may impact their current financial situation
-  Think about and communicate how they feel about FFE arrangements to reduce relationship strain
-  Clarify their expectations around FFEs to guard against misunderstandings

The toolkit can be used in multiple types of client-educator sessions (in-person, virtual, or telephone). It is customizable to the specific effects of an emergency on your client's financial circumstances.

How to use this toolkit

The toolkit has four parts:	
 Assessment sheet	The Assessment Sheet helps you learn more about your client's situation and whether starting or changing an FFE arrangement makes sense for them.
 The tools	<p>One or more of the following tools may be appropriate for your client:</p> <p>Coaching Prompts helps you start productive discussions with your client about their money situation, their needs, and the potential impacts of starting, ending, or changing FFE arrangements.</p> <p>Practicing Conversations helps your client practice talking with their family and friends about FFE arrangements.</p> <p>Setting Expectations helps your client develop a shared understanding of a financial arrangement with a family member or friend before entering into it.</p>
 Take action	After using the tool(s), you and your client can come up with action steps to start new or change existing FFE arrangements.
 More information	At the end of the toolkit, you can find more information on different types of FFE arrangements, as well as common advantages and disadvantages of participating in them.



Assessment sheet

Your client's needs depend on how they and their loved ones have been impacted by a financial emergency. Use this assessment sheet to figure out whether starting a new or changing an existing FFE may make sense for your client and, if so, which tools to use.

Step 1. Learn about your client's situation

Find out if your client is experiencing a financial hardship as a result of an emergency (such as job loss, unexpected expenses).

If yes, ask them:

- Do you have any friends or family members who may be able to provide financial support?
- Are you currently providing financial support to family or friends that you may need to reduce or end?
- What other options are available to you?

If no, ask them:

- Have you been asked to provide support to a friend or family member who is experiencing a hardship?
- What options are available to your friend or family member?

TIPS: Because financial support can come in a wide range of forms, clients don't always realize that they are providing financial support to friends or family. When asking about whether they are providing support, it may be helpful to ask questions like:

- Do you pay for a cell phone plan for anyone else in your family?
- Do you share living expenses (such as food, rent, mortgage, utilities) with someone? How do you divide those?
- Do you help pay for the tuition, rent, or bills for friends or family?

CFPB's **Money Circle Toolkit** can also help you and your clients identify ways they are supporting friends or family. The Toolkit is available at files.consumerfinance.gov/f/documents/cfpb_money-circle-toolkit_082019.pdf

Summarize your client's situation:



Assessment sheet (continued)

Step 2. Choose a tool

If, after assessing your client's situation and available options, you think starting a new or changing an existing FFE may make sense, choose one or more tools:

- Coaching Prompts** (page 5) can help your client evaluate the pros and cons of asking for, reducing, or providing support.
- Practicing Conversations** (pages 6 - 7) can help your client learn communication strategies when asking for, reducing, or providing support.
- Setting Expectations** (pages 8 - 11) can help your client develop a shared understanding with their friend or family member when asking for, reducing, or providing support.

The examples below may help you choose which tool(s) to use with your client.

Client is considering:	Example
Asking for support	<p>Jose's hours have been cut in half by the COVID-19 pandemic. He is considering asking his mother for help to make ends meet.</p> <ul style="list-style-type: none">▪ Coaching Prompts may help Jose assess the pros and cons of asking his mother for help.▪ Practicing Conversations can help Jose practice communicating with his mother about support if he decides to ask for her help.▪ Setting Expectations can help Jose set an agreement with his mother, for example, about whether and how he will repay her in the future.
Reducing or ending support	<p>Shari experienced a health emergency and now has large, unexpected medical bills. She is no longer able to help her niece with community college tuition.</p> <ul style="list-style-type: none">▪ Coaching Prompts may help Shari think through the impacts of ending this support to her niece.▪ Practicing Conversations can help Shari practice talking to her niece about the situation and ways to improve it.
Providing support	<p>Maya's friend and roommate lost her job. She asked Maya to pay all of the rent until she finds a new job.</p> <ul style="list-style-type: none">▪ Coaching Prompts may help Maya think through the pros and cons of paying all of the rent.▪ Practicing Conversations can help Maya practice communicating with her friend about whether she can pay the full rent and how it will impact her.▪ Setting Expectations can help Maya set expectations with her friend about whether and how she expects to be repaid in the future.

TIP: Clients can benefit from these exercises even when the other person is not willing to talk about the agreement.



Coaching prompts¹

Use these conversation prompts to help your client think through the pros and cons of entering into new or changing their existing FFE arrangements.

Client is considering:	Example
Asking for support	<ul style="list-style-type: none">▪ What would a successful financial arrangement with your family member or friend look like for you? What do you need to make it successful?▪ How might this financial arrangement change your relationship with your family member or friend?▪ What expectations will your friend or family member have if they provide you with this support? What obligations will you have if you accept it?▪ Do you have any concerns about receiving this support? What might happen if you don't receive this support?
Reducing or ending support	<ul style="list-style-type: none">▪ How will it impact your budget to change or end this financial arrangement?▪ What thoughts or feelings come up when you think about changing or ending this financial arrangement?▪ If you end the financial support, is there some other kind of support (such as child care or shared housing) that you might be able to provide?
Providing support	<ul style="list-style-type: none">▪ How will your short term and long term financial situation be impacted if you were to provide assistance?▪ Do you expect to be repaid? If you are not repaid, how will you react? What financial or practical consequences would you expect to occur?▪ How might this financial arrangement change your relationship with your family member or friend?

TIP: Respect Cultural Differences

Cultural background can affect what people expect when they exchange resources with friends or family. For example, exchanges between parents and children are often based in a strong sense of responsibility. A parent or child may be particularly hesitant to change or withdraw financial support as a result of this obligation. In some cultures, there are greater expectations that family members will support one another, including one's extended family. In other cultures, there are fewer or different assumptions about providing for family. During these conversations, keep in mind how cultural expectations may be influencing your client's approach to financial arrangements with family and friends.

¹ Source: This exercise is adapted from Britt-Lutter, S., Haselwood, C., & Koochel, E. (2018). Love and money: Reducing stress and improving couple happiness. *Marriage and Family Review*, 1-16. doi: 10.1080/01494929.2018.1469568



Practicing conversations²

It can be hard to talk with family members and friends about financial support. The stresses of a financial emergency can make it even harder. Use this tool to help your client prepare for a conversation with their friend or family member about their FFE arrangement.

Step 1. Set a goal

Ask your client to **set a goal for their conversation with their friend or family member**—what do they hope to achieve?

TIP: If it helps, use the following script to introduce your client to the exercise:

Sometimes it is difficult to talk about money. Knowing what you want to get out of a conversation, and practicing what you want to say, can help you feel more comfortable having conversations about money with family and friends.

Now, let's set a clear goal for the conversation. What would you like to get out of this conversation?

For example, you might want to:

- Explain how receiving their financial help affects you
- Tell your friend or family member that you can no longer afford to support them financially
- Brainstorm with your friend or family member on ways to make a financial exchange more mutually beneficial

Step 2. Help your client have a practice conversation

Have your client hold a practice conversation with you playing their family or friend. It may help them to use "I statements" to talk about how they are feeling. The next page is a handout for your client to help them practice.

Step 3. Reflect on the practice conversation

Ask your client to reflect on the exercise.

- How do you think _____ would respond to your request or statement(s)?
- What do you think will happen after this conversation?

² Source: This exercise is adapted from Britt-Lutter, S., Haselwood, C., & Koochel, E. (2018). Love and money: Reducing stress and improving couple happiness. *Marriage and Family Review*, 1-16. doi: 10.1080/01494929.2018.1469568



FOR CLIENT

Practicing Conversations

Practice talking to your family or friends about money situations

"I statements" can be a useful tool when having conversations about money. "I statements" can help you express your feelings about difficult situations. "I statements" can also minimize other people feeling attacked or defensive and can help move people toward mutual understanding.

1. Set a goal for the conversation:

2. Describe the situation (Only state facts. Avoid blaming anyone or making assumptions.):

3. Use "I statements" to express your point of view.

I feel: _____

This is the most important part. This can be a difficult feeling and hard to put into words.

I imagine: _____

Try to understand the situation from the other person's perspective. To show you care about their feelings and/or financial situation, you may want to use phrases like:

- This is a hard/difficult situation for you, too.
- You don't want it to be this way, either.
- You're trying to help me.
- You're trying to make ends meet.
- You're working hard.
- You have financial challenges.

I need/I want: _____

State something that would help you feel better about the situation. Be realistic about what can change.

Would you: _____

Make a specific request that will improve the situation.

Example "I statement":

When I ask you for money to help cover my rent, I **feel** guilty that I can't make ends meet on my own and worry that I am putting a burden on you. I **imagine** you are having to sacrifice a lot to help me right now. I **want** to be helpful to you too. **Would you** help me think of ways I can help you in return?



Setting expectations

Shared expectations about FFE arrangements—such as whether support is a gift or a loan—are critical for avoiding misunderstandings. However, it is relatively uncommon for family and friends to have detailed conversations about repayment expectations before the money is exchanged. Use this exercise to help your client clarify expectations **before** entering into an FFE arrangement.

Step 1. Review examples

Look at one or more of the examples on page 9 with your client (if they have a computer or if you are meeting in person) or read the examples to them.

Step 2: Clarify expectations

Have your client answer the questions on page 10. Your client can either read the questions themselves or you can read them aloud. They (or you) can record their answers on the worksheet or on a separate sheet of paper.

Step 3: Share expectations

Help your client use their answers to write a statement about their expectations or practice stating their expectations aloud (page 11).

TIP: With a major emergency, such as the COVID-19 pandemic, it may not be clear when or if a recipient can repay a loan or how long it will take. Encourage your clients to think as realistically and flexibly as possible about the terms of their agreement.



FOR CLIENT

Setting expectations

Many financial arrangements among friends and family are not discussed up front. It may feel awkward to have a frank conversation or write down the details. However, it is important for everyone to agree on how a financial arrangement is going to work before entering into it. This can help avoid misunderstandings and make the arrangement work better for everyone. This exercise will help you clarify your expectations and share them with your friends or family members so you can come to an agreement before resources are exchanged.

Step 1. Review examples

Below are some examples of the types of agreements that can be helpful to have in place before friends or family exchange money.

Example 1:

I, Maya, am giving \$100 to my daughter, Ana, to help her purchase school supplies for my grandchildren. I do not expect Ana to repay this gift in any way.

Example 2:

I, Ayden, am borrowing \$150 from my dad, Jason, to help me pay for car repairs. I will be paying him back over the next 5 months, \$30 each month. We will discuss this again after 2 months and agree to consider alternatives at that time, if I cannot afford these payments.

Example 3:

I, Jamar, am adding my brother, Marques, to my family cell phone plan at a cost of \$20 per month for the duration of my 2 year contract (March 1, 2021 to March 1, 2023). Marques will pay me \$120 on March 1, 2021 and \$120 on March 1, 2022 to contribute to the cost of his part of the plan. We agree to follow up about this arrangement in March 2023 and consider extending this arrangement. If Marques doesn't contribute as agreed, we will discuss other options when it is time to renew the cell phone contract.

Example 4:

I, Sarah, am loaning \$1000 to my friend, John, so that he can pay his rent. I expect him to repay me by providing help to my children with their school work when they need it. If John can't provide this school support, we agree to have a virtual meeting with our friend Tim to discuss an alternative. We plan to check in about this again in three months.

TIP:

Money gifts, and loans you forgive, generally do not affect taxes unless the amount is more than the annual exclusion. For tax year 2021, the amount is \$15,000. For more, please see [irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes](https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes)



FOR CLIENT

Setting expectations

Step 2. Clarify expectations

Before you exchange money with friends or family, try to answer the following questions:

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. Will the financial support be repaid? (yes or no)

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 running essential errands; providing tutoring)

9. If yes, when will it be fully repaid? (examples: September 1, 2021; 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 will follow up about this arrangement? (examples: after 3 months; on September 1, 2021)



FOR CLIENT

Setting expectations

Step 3. Share expectations

Now you're ready to share your expectations for exchanging resources with your friend or family member. Use your answers to the questions on page 10 to help you put your expectations into words. You can choose to share your expectations verbally (option 1) or write them down (option 2).

Option 1: Practice stating your expectations out loud

Option 2: Write down your expectations

TIPS:

- You can share your expectations with your family member or friend in a conversation, text messages, or other written format.
- Keep in mind your friend or family member may have different expectations. Communicating about them is a good first step in coming to an agreement that works for everyone.
- Agreements like these are helpful for setting expectations but may not be legally binding.



FOR CLIENT

Take action

Now, based on what you've thought about today, what action steps can you take?

List three potential actions you could take today:

- _____
- _____
- _____

Alternatively, if you cannot take an action step today, you may create an action plan:

What will be the first step I take?

When will I take this step? _____

I will follow up with _____

on _____



More information

What are family financial exchanges?

Family financial exchanges (FFEs) are transfers of financial resources between family members or friends that occur outside the formal financial system. FFEs can help households make ends meet, respond to financial emergencies, and invest in opportunities such as education or homeownership.

How do FFEs work?

FFE arrangements are most common between close family members, such as parents and adult children, but they can be between any two family members or friends.

FFE arrangements include both one-time and repeated transactions. They are used for a wide variety of expenses, ranging from general living expenses to support for hardship or emergency events.

FFEs take a variety of forms, including gifts, loans, or in-kind support. Family and friends sometimes exchange funds directly (for example, providing cash or a remittance) and sometimes indirectly (for example, co-signing on a loan).

Sometimes FFE arrangements or transactions are formalized through written agreements. Most often, exchanges are informal. Under informal FFEs, details of arrangements might or might not be discussed. The informal nature of many FFE arrangements can result in confusion over expectations of repayment, especially if communication is unclear.

How are people affected by FFEs?

Receiving financial support from family or friends can provide advantages over other financial options, including speed, affordability, flexibility, and privacy. Sometimes, support from family and friends might be the only viable option.

Providing financial support to family or friends can also have financial or practical consequences, which might be positive (for example, co-signing a loan builds a family member's credit and helps create a tie to the formal financial sector). However, individuals risk jeopardizing their own financial well-being if they are providing support they cannot afford.

Sometimes FFE arrangements are positive for both the providers and recipients. However, in other circumstances, FFEs can have negative consequences on relationships.

Participation in FFEs may lead to a range of thoughts and feelings for both parties, from relief, pride, and gratitude to shame, guilt, and anxiety.

FFEs and financial emergencies

In a national emergency, households increasingly turn to family and friends to cope with financial hardships. At the same time, an emergency can result in individuals being unable to provide the financial support they would otherwise give to family and friends. Therefore, during a situation such as the COVID-19 pandemic, there might be an increased need for financial educators to support their clients as they enter into and exit from FFEs.



More information (continued)

Variations in FFEs	
Participant relationships	<ul style="list-style-type: none">▪ Parent/adult child▪ Adult siblings▪ Friends▪ Roommates▪ Other
Frequency	<ul style="list-style-type: none">▪ One-time support▪ Regular, repeating support▪ As needed, repeated support
Types of support	<ul style="list-style-type: none">▪ Loans▪ Cash gifts▪ In-kind support (for example, childcare, eldercare, shopping or errands)▪ Credit support (for example, co-signing on a lease or loan, or authorization as a credit card user)
Method of support	<ul style="list-style-type: none">▪ Direct transfer of cash or through an app▪ Remittances▪ Direct bill-paying or plan sharing▪ Through a financial or legal entity (for example, co-signing or providing a formal loan)
Formality	<ul style="list-style-type: none">▪ Informal: generally lacking an explicit verbal or written agreement; sometimes not even acknowledged by one or more of the parties▪ Semi-formal: may be supported by a verbal or written agreement; expectations of some of the terms of the arrangement may be explicit▪ Formal: generally supported by a written agreement with clear expectations of the terms of the arrangement



More information (continued)

RESOURCES

Want more toolkits like this?

The CFPB's Money Circle Toolkit can help identify existing FFE arrangements between family and friends.
[\(files.consumerfinance.gov/f/documents/cfpb_money-circle-toolkit_082019.pdf\).](https://files.consumerfinance.gov/f/documents/cfpb_money-circle-toolkit_082019.pdf)

Need to make a referral?

If you are in a situation where you feel unqualified or uncomfortable addressing a client's needs, please consult with a peer or supervisor right away. You may wish to refer your client to a licensed mental health professional or, if feasible, to one with specific training in financial planning. These websites may be helpful in making a referral:

- **The Financial Therapy Association Network:** financialtherapyassociation.org/find-a-ft

- **American Association for Marriage and Family Therapy:**
aamft.org/Directories/Find_a_Therapist.aspx

- **Administration for Children and Families:** <https://acf.hhs.gov/help>

- **Want more COVID-19 related resources?**

The CFPB has put together a number of resources to help consumers and educators address the impacts of the COVID-19 pandemic, including information on mortgage and housing assistance and protecting your finances. You can find these at: consumerfinance.gov/coronavirus

Want to know the theory behind this toolkit?

Britt, S. (2016). The Intergenerational Transfer of Money Attitudes and Behaviors. *Journal of Consumer Affairs*, 50 (3), 539-556. papers.ssrn.com/sol3/papers.cfm?abstract_id=2842393

Kim, J., Spangler, T., & Gutter, M. (2016). Extended families: Support, socialization, and stress. *Family and Consumer Sciences Research Journal*, 45 (1), 104-118. onlinelibrary.wiley.com/doi/10.1111/fcsr.12187/full

Kim, J., Spangler, T., & Gutter, M. (2017). Family Financial Decisions and Implications for Financial Education. *Journal of Financial Counseling and Planning*, 28 (2), 253-267. <http://dx.doi.org/10.1891/1052-3073.28.2.253>

The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this tool. The CFPB is not responsible for and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

This toolkit includes references to third-party resources or content that consumers may find helpful. The Bureau does not control or guarantee the accuracy of the third-party information. By listing these references, the Bureau is not endorsing and has not vetted these third parties, the views they express, or the products or services they offer. Other entities and resources also may meet your needs.

 **Online**
consumerfinance.gov

 **By phone**
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

 **By mail**
P.O. Box 2900
Clinton, IA 52733-2900

 **Submit a complaint**
consumerfinance.gov/complaint/