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| **Lean on Parents in Difficult Financial Times.****You may find yourself in a cash crisis that requires you to borrow money. Borrowing from your parents may be a humbling experience, but when done the right way it can be a good lifeline until you can straighten things out.**If you need to ask your parents for financial help, you’re not alone. According to Pew Research, less than one-quarter of 22-year-olds are financially independent of their parents.1 With so many young people unemployed due to the lingering impact of the pandemic, there’s nothing shameful about seeking parental help, but you need to go about it in a way that creates the least problems.**Speak with a financial professional first.** You owe it to your parents to lay the groundwork before asking them for money. By working with a financial professional, you can optimize your budget, figure out how much you need to borrow, and propose a realistic repayment plan. They might introduce you to options you hadn’t thought about, as well as raise your consciousness about how a financial arrangement with your parents can trigger unwanted consequences.**Ask your parents questions and listen carefully to the answers.** As a responsible adult, you need to understand how a loan or gift will impact your parents now and in the future. Ask about their retirement plans and whether the money they lend you will come at the expense of contributions to their retirement accounts. You should also find out if your parents are already carrying significant levels of debt and if they are prepared to handle unexpected expenses. Their answers will bear upon whether to ask for a loan and if so, how much.**Work out a written agreement.** It might feel strange to have a written loan agreement with your parents but creating one will help protect everyone’s interests. The agreement should specify the terms of the loan, including amount, payback schedule, interest rate, and collateral, if any. You should pay interest at no less than the applicable federal rate (recently ranging from 0.14% to 1.12% depending on term) to avoid triggering issues regarding your parent’s income, gift, and estate taxes.2**Reevaluate your life insurance needs.** As a young person, your chances of dying or being disabled are low. Nonetheless, young people die, and some of them owe money to parents. Consider the financial consequences for your family and your parents should something happen to you. It makes sense to have enough insurance to repay your loan and to ensure the financial survival of a spouse and children, if applicable. Makes sure all beneficiaries are informed of your arrangements in case the worst happens.**Help yourself but not at your parents’ expense.** Many parents would give or loan money to their children without hesitation, but it’s imperative that everyone understands the repercussions. Please contact me first to help explore your circumstances and those of your parents before you ask them for money. Together, we can map out a course of action that will help you get through a rough patch without permanently damaging your parent’s finances and your family relationships.

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| 1 [pewsocialtrends.org/2019/10/23/majority-of-americans-say-parents-are-doing-too-much-for-their-young-adult-children/](https://www.pewresearch.org/social-trends/2019/10/23/majority-of-americans-say-parents-are-doing-too-much-for-their-young-adult-children/) [10/23/19]2 [irs.gov/pub/irs-drop/rr-20-20.pdf](https://www.irs.gov/pub/irs-drop/rr-20-20.pdf) [10/22] |
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