

The Family Bank: Loaning Money to Children

From diapers to driver's ed, you raised and supported your children. But should your financial support continue into adulthood?

A whopping **75 percent of parents provide financial support to their adult children who are no longer in school**, according to a study by creditcards.com and reported by The Motley Fool for USA Today.

If your child asks for a loan, what should you do?

In an [interview](#) on *The Morning Show* on WCIA 3 News in Champaign, [Lori Hunt](#), **Senior Vice President and Retail Market Manager**, suggests parents consider the following questions before making a decision.

1. **Why does your child need the money?** Decide whether or not the loan's purpose is reasonable. If your child is a chronic borrower, frequently overspends or wants to use the money to pay past-due bills, watch out. You might enable poor financial decision making by lending out the money. If your child is responsible and needs the money for a purpose you support, you may feel better about agreeing to the loan.
2. **Will financial assistance help your child in the long run?** Don't jeopardize your child's independence. If you step in to help, will your child make it a habit to lean on you in times of financial need?
3. **Can you really afford it?** Perhaps you can afford to lend money right now, but look to the future. If you decide to loan your child money, be sure it's an amount you could afford to lose.
4. **What if something goes wrong?** One potential pitfall to giving a loan to your child is family tension. When you loan money to a relative, it's personal, and if expectations aren't met, both your finances and your relationship with your child may be at risk.
5. **What if you decide to say 'yes'?** Think like a lender and put loan terms in writing to set expectations. Draft a loan contract that spells out the loan amount, the interest rate and a repayment schedule. Don't forget to pay attention to the rules. If you lend your child a significant amount of money, loan documentation may be necessary to meet IRS requirements.



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6. **What if you decide to say 'no'?** Offer other types of help. For example, you could give a small, no-strings-attached gift to your child that doesn't need to be repaid. You could even offer to pay a bill or two for a short period of time. ****Regardless, don't feel guilty about saying 'no'. Your financial stability is just as important as your child's—and a healthy relationship is something money can't buy.**

For support and resources you need, speak with Busey's experts today. Visit ***busey.com***, call **1.800.67 I Busey** or stop by one of our many convenient locations.



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