



2.2 Considering a Loan Request

Topic 2: Lending, Giving, Donating

Your adult child has just approached you for \$3000 loan to put towards a vehicle purchase. What do you do?

Get Full Details

While you might be anxious about hurting a loved one's feelings, you need to know the details of where your money will be spent. If the person becomes offended by your request for more information, take it as a red flag. If you are provided details, follow up on them. For example, check out the car, its cost, comparisons, etc. Investigate all of these variables prior to making your decision.

Give Yourself Time to Think

If the request is one you will seriously consider, tell your friends or relatives that you need more time to think things through and that you'll give them your final answer in 24 or 48 hours. The extra day or two will give you the time to gain the confidence that you need to form an articulated response. "Let me look at my budget and see what's possible. I'll let you know by the end of the day tomorrow."

Determine How Much You Can Afford to Lend

There's an old gambling saying that you should never bet more than you can afford to lose. The same can be said for lending to a friend or family member. Go into a family loan situation with the mindset that you'll never see the money again. That's not saying you won't, it's just that if the loan does go on repaid you won't be as disappointed. That being said, only lend what you can afford to live without.

Consider the Impact

When you lend money to a family member, there is often an impact on everyone else you are related to. Lending money to one person and not another could be seen as favouritism or enabling, so seriously think about how going through with the loan will make others feel.