



## Quick Tips

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## What to Do If You Are Asked for a Loan?

Ever have a friend or family member ask for a loan? It can be awkward, and for many the knee-jerk reaction is to just pull out the checkbook. But having the funds available to extend a loan is not the point when it comes to lending money...it's knowing when or if you will ever receive your hard earned funds back.

Before you decide to play banker with your friends and family, consider the steps below to help avoid potential conflicts or miscommunications:



1. When asked for a personal loan, don't commit to an answer right away, especially if the sum of money is large. While you want to show compassion for the friend or family member and tell them you would like to help, explain that you need a few days to review your financial situation and make a decision. Perhaps another solution will come to them in the meantime.
2. Consider the amount requested, and if the amount is larger than you feel comfortable lending, provide an explanation that will not hurt your relationship, and offer to help in a non-financial way. Or consider giving a smaller amount as a gift, with no expectations of repayment. This allows you to be generous on your own terms, and removes the potentially heated issue of non-repayment.
3. If you do decide to extend a loan, sit down with your friend or family member and set expectations. And don't beat around the bush...be very specific about the term of the loan, interest rate, payment plan, even the penalty that will be incurred should a payment be missed. **And always put the terms in writing so there is no confusion or misunderstanding.**

Stay tuned for more Quick Tips coming your way.