

M: 0411 886 310 F: (03) 8625 0035 E: gvimpani@alphaloan.com.au W: www.alphaloan.com.au

For Love or Money

Steve Willey had run his own cafe for a number of years when he started having trouble paying the bills.

He asked his parents, Jan and Michael, to sign a mortgage over their family home to provide him with a bank overdraft. Within a year Steve's business had gone under and the bank sold the parent's home to recoup their investment.

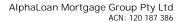
Already in their retirement, Jan and Michael found themselves forced out of a home that held a lifetime of memories. They felt angry and let down, while Steve felt humiliated at what he had done to the family. The once trusting relationship between parents and son was never the same again.

Unfortunately this is an all too common scenario that occurs when lending money to family. When money goes down the tube and people suffer financial consequences, relationships invariably turn sour.

While it's natural instinct to want to bail out your loved ones, there are usually better ways to deal with financial difficulties. Sometimes love is about allowing others to find their own way, as well as to experience the full consequences of their actions. There is no guilt or shame in promoting the merits of hard work and patience when it comes to achieving monetary goals.

If you decide there is no other option but to lend to family, here are some tips to help protect yourself.

- ✓ Explore all other avenues before agreeing to lend money. Be cautious and look at the pros and cons of different lending options.
- ✓ Don't lend what you can't afford to lose. Ask yourself whether you would be comfortable giving the loan money away as a gift. If the answer is no, then you are not in a position to loan it.
- ✓ Be aware of all the risks. Go into the loan with your eyes open, knowing what the consequences could be for you down the track.
- ✓ Put everything in writing. Seek legal advice and sign a formal loan document that spells out the terms of the deal, including a repayment plan.





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