



# Family Matters

*Dear Dr. Per Cap:*

*My cousin has a habit of not paying back loans, but just asked to borrow more money. How can I help without getting burned?*

*Signed,*

*Twice Burned*

Dear Twice Burned

I've learned over the years that money lent to friends and family has a bad track record of not getting paid back in full, not getting paid back on time, or a combination of both. Let me share a little story that I hope offers a fair solution.

About ten years ago a really good friend was in a pinch and asked me for a loan. He wanted to borrow more money than I felt comfortable lending so I offered the following alternative. Rather than extend a personal loan I'd give him a lesser amount of money. That's right. I offered to give him half the amount he wanted to borrow. He was grateful but said he didn't want charity and would pay me back.

I made a quick detour down tough love highway.

"Look" I said in a respectful yet serious tone. "When you come to me and ask for a no interest, no collateral, nothing down loan without a formal agreement – just your word and a hand shake. I'm sorry, but in my book that's charity."

I then told him that I wouldn't risk our friendship over a loan and that I'd sleep a whole lot better giving him money that I knew I'd never see again rather than lending money with so many uncertainties. I also said I'd only do it one time.

He saw my point of view, accepted the gift, and we've remained great friends ever since.

I know this solution might not work for everyone. For starters you need to decide how much money you can afford to give rather than lend. 50%, 30%, or 10% of the ask are all fair offers, but that's for you to decide.

I swear by this this strategy and use it whenever the need arises. I really think offering a no strings attached cash gift while still requiring a friend or family member to take responsibility for securing the remaining money forces the person to think through their dilemma a little more thoroughly and consider other options – do I really need to borrow such a large amount, is it possible to earn some extra cash on my own?

Give this one a try and remember – no amount of money can buy a great friendship but a broken promise can destroy one.

***Ask Dr. Per Cap*** is a program funded by First Nations Development Institute with assistance from the FINRA Investor Education Foundation. For more information, visit [www.firstnations.org](http://www.firstnations.org). To send a question to Dr. Per Cap, email [askdrpercap@firstnations.org](mailto:askdrpercap@firstnations.org).