**EXCERPTS FROM**

**HELPING CHILDREN AND OTHERS NOW**

**Paragraph 1…**

Consider the following scenario: A retired couple with four adult children feel they have sufficient wealth to see them through their golden years. Their adult children, on the other hand, are all struggling with mortgages and the parents would like to share their estate now so they can enjoy the pleasure of seeing their children get ahead. What are their options?

**Paragraph 3…**

Family Loans

One possible solution is for the parents to loan money to their children rather than giving it. This approach also has possibilities for loss, of course, especially if a child becomes bankrupt. When the bankruptcy is over, not only will that child have the difficult task of starting afresh, he or she also may feel morally obliged to repay the parents' loan. (Unlike the legal position of a discharged bankrupt and unsatisfied creditors, the stigma of not repaying a family member will often transcend any bankruptcy legislation.)

**Paragraph 5…**

If the parents are concerned about having sufficient capital to maintain their standard of living, the mortgages could be made payable on demand. Unlike simple loans, which often suffer from lack of enforceability, family members tend to treat mortgages seriously. Although this is not a guarantee of enforceability, a loan given by way of mortgage has a greater likelihood of repayment and of timely periodic payments. Finally, the parents' wills could be drafted to forgive any mortgage balances still owed by their children.

**Final Paragraph…**

This would save the donor from paying taxes on those earnings. At a specified future time--or upon demand, if the loan is so structured--the principal would be repaid. Anyone contemplating this option should know, however, that loans can be made to a registered charity but not to a foundation.