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## [RETIRED] READ: Personal Loans

One major money issue that can arise in families is when one family member (or friend) asks another for money. We oftentimes feel obligated to say yes - even if it's not always in our best interest. In this activity, you'll read an article that walks you through the different things you should consider before deciding whether or not to loan money to a friend or family member. Then, you'll apply what you've learned to a specific situation.

### Part I: Read the Article

This article from Investopedia, [Should You Lend Money to Family or Friends?](#), explores how to navigate money situations with friends and family. Answer the questions below as you read through the different sections of the article. *Make sure that you write the responses in your own words in a way that demonstrates you understand the concept; do NOT just copy verbatim from the text.*

1. Define what a personal loan is.

### Why a Personal Loan May Not Be a Good Idea

2. What are some reasons that you, as the potential creditor, should avoid giving personal loans?
3. Explain how saying NO to a personal loan might be better for your family member, too.

## **The Difference Between a Loan and a Gift**

4. What is the difference between a personal loan and a gift?

## **Before Saying Yes to the Loan**

5. Review the three questions the author suggests you should ask before giving someone a personal loan. Which do you think would be the most difficult to ask a family member or friend? Why? What would your strategy be for asking this question?

## **Establish the Terms of the Loan**

6. Explain why it is a good idea to have the terms of a personal loan down in writing.

## **Part II: What Would You Do?**

7. Assume you've graduated from college and are working a fulltime job. Your very best friend asks if (s)he can borrow \$2500 to put a downpayment on a used car.
  - a. What questions would you ask yourself and your friend before making a decision?
  - b. Do you think you would end up giving your friend the loan? Why or why not?
  - c. Assume you decide to grant the loan. Record the terms you think would be fair in this scenario.