



WANT TO HELP YOUR KIDS BUY PROPERTY? Here's how.

The real estate market can be tough for young adults, but as a parent you may be able to lend a helping hand.

PARENT-TO-CHILD LOAN

A parent-to-child loan is when a parent lends their child money. This is a formal, legally binding arrangement, administered by an independent third party. At the start of the loan period, both parties agree to terms including repayment amounts, a schedule and a process to manage defaults.

BENEFITS

You can set generous terms for your child, but your assets, savings and credit rating are somewhat protected as you are not the borrower.

DRAWBACKS

There are legal implications for your child if they have a spouse and the breaks down, in that the spouse could try to claim some of the loan proceeds as an asset of the relationship to which they are entitled. There are also tax considerations for both parties.

FAMILY GUARANTEE

If your child doesn't have enough security for a mortgage, you could provide a family guarantee. This is where you use some of the equity in your own home as part of the security. For example, your equity might cover 20% of the security, and your child's new property would be the other 80%. It's also known as a guarantor loan. This can be a temporary arrangement until your child has paid down the loan to an acceptable level.

BENEFITS

You have the option of guaranteeing only a portion of the loan.

DRAWBACKS

If your child defaults, your assets are at risk.

BECOMING A CO-APPLICANT

You can help your child secure a loan if you sign on as a co-applicant. This means you're equally as responsible as your child for meeting repayments. The lender will consider your assets in its borrower's assessment.

BENEFITS

Your child can obtain a loan with a low income.

DRAWBACKS

If your child stops making repayments, you're responsible for making them. If you can't make the repayments, it will affect your credit rating.

GIFT

When you give your child money but don't expect it to be repaid, it's considered a gift. You may need to sign a statement to say it's a gift, not a loan.

BENEFITS

You can provide financial help, possibly without the legal, tax or financial implications of a formal arrangement.

DRAWBACKS

If your child has a spouse and their relationships breaks down, the former partner could make a claim for the property.

ASSISTANCE IN KIND

If you're risk averse, consider providing assistance in kind; that is, covering some of the expenses that come along with buying a property. You could pay for services such as a property survey or conveyancing fees, or help with stamp duty.

BENEFITS

You can give practical financial assistance.

DRAWBACKS

The amount of money you provide may be more than what your child ends up spending. For example, you might want to contribute \$20,000 but the services cost \$15,000. In this case, the rest of the amount is subject to the terms of a gift or a loan.

Make sure you're well informed about your options when giving or lending money so you can remain in the best position to help your child become a home owner.



Phone 8522 6713 | Mobile 0447 447 396

27 Twelfth Street, Gawler South SA 5118

WWW.INTERVALFINANCE.COM.AU

You can contact Naomi Pringle Credit Representative 485062 of BLSSA Pty Ltd CAN 177 651 760, ACL 391237, to discuss the right financial arrangement for your family. This article provides generally advice only and may not reflect the publisher's opinion. None of the authors, publishers or their employees are liable for any inaccuracies, errors or omissions in the publication or any change to information in the publication. This publication or any part of it may be reproduced only with the publisher's prior permission. It was prepared without taking into account your objectives, financial situation or needs. Please consult your financial advisor, broker or accountant before acting on information in this publication.