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# **How to respond when your family asks for money**

*Note: This is one of the hardest things I've written about. I've personally gone through it and know how it can tear apart a family. In my case it was because I decided to help.*

"Joe, you look awful."

"Wow, is that a good way to greet a friend?" Joe asked me. "But now that you mentioned it, I haven't been sleeping well."

Joe then proceeded to tell me about his family situation and the stress it was causing. His brother wasn't able to pay the rent-again-and came Joe for a loan.

"I'm getting tired of always having to bail him out. I love him, but loaning him another grand won't solve his problem. And I'm getting tired of everyone assuming that because I run my own business I have money to loan them." After a bitter chuckle, Joe added "I don't know why I call it a loan. They never pay me back."

## **It wasn't the first time**

Joe and I have been friends for years-heck, he gave me my start in sales! I was familiar with this drama in his family and saw it repeat several times a year. If it wasn't his brother it was his cousin or uncle. One time their car was in the shop. Another time they were a bit short until payday.

It was like his family thought that because he was an entrepreneur he was their personal bank machine.

## **The straw that broke the camel's back**

This time things were different. The economic downturn was hitting Joe's industry hard. He was struggling to keep the doors open, and the last thing he needed was this. In fact, the reason Joe and I were meeting was that I was advising him on his company's sales and marketing.

Bottom line: he had nothing more to give.

## **Loaning money to your family is a lose-lose situation**

When it comes to family, money, and loans you can't win. You are a bad mother/son/brother (fill in the appropriate relationship) if you say no. It will poison your relationship even if you say yes. No matter what you do it can tear a family apart.

For entrepreneurs it can be even worse. People assume that just because you own the company that you are rich and that they are entitled. You can easily become their personal bank...or their welfare system.

With this in mind I've developed the following guidelines to help deal with the situation. Some sound cold and heartless, but that couldn't be further from the truth. This is a decision that can have serious consequences. The decision must be based on facts and on what is best for everyone involved. Remember, the best answer is sometimes the one that hurts the most. People often tell me that the best thing that happened to them was that someone told them no. It forced them to grow up and solve the problem themselves.

## **7 Guidelines when family asks for money**

### **1. You're not the bad guy...**

You know the drill. The guilt is being applied. "Just this once..." "Don't you love me?" "You can afford it." "Blood is thicker than water." To make it worse other family members are calling you and asking why you won't help.

You have done nothing wrong. They put you in a bad position, one that you often can't win.

## **2. Step back and take a deep breath**

The only thing that makes this so hard is that you are dealing with family. With anyone else it would be much easier. When family members ask you for money they don't use logic. They push your buttons. This sets the stage for a major family crisis.

Now is not the time to make a decision based on feelings. You need to step away and get some space. If they push tell them you need time to think about it. If they keep pushing start asking them questions. This will put the responsibility back on their shoulders. Remember this is their problem. They are coming to you for a favor.

## **3. Separate emotion from fact**

Now I know I'm going to get an earful about this. "It's your mother. You owe her." "How can you be so heartless?" "Don't you love your family?" "Why do you hate your sister?"

Let me put that to rest right now. Decisions based on guilt rarely work out. Don't be afraid to use decision making tools (I personally love a weighted pro/con list). Feelings and relationships are a factor, but the decision needs to stand on it's own without the emotions to prop it up.

## **4. Am I helping or enabling?**

This is tough because of the guilt involved. One thing to keep in mind is that often you are only making things worse by handing out money. People need to take responsibility for their own problems. In extreme cases they need to hit bottom before they can start to get better. In these cases the only way to help them is to stand firm.

Now I'm not saying you should always say no. You just need to make a clear headed logical decision that is in everyone's best interests.

## **5. What are they doing to solve the problem?**

Just bailing someone out won't solve the problem. Are their expenses exceeding their income? Then they need to take steps to fix the problem. Do they have a gambling problem? Then they need to get help for the underlying addiction.

They need to take responsibility and be willing to fix their own problem. Otherwise this will come up again and again. Each time it will be a little worse.

## **6. You have the right to say no**

Just because it is family doesn't mean you are obligated to give them money. I hear the argument all the time that you should "[honor your parents](#)." That doesn't mean you are indebted to them for eternity. Yes you should respect and thank them for bringing you into this world. Just remember that this is a two way street. You deserve the same respect and appreciation as well.

Now most people have parents that gave them love and nurtured them. That is a different story. Then again, most people with loving parents aren't put in this position.

You have to make the right decision for everyone involved. This needs to be based on facts, not some emotional tug at the heartstrings. If the right answer is no say no.

## **7. Always a gift never a loan**

If you decide giving is the right decision make it a gift. You should never loan money to family. I don't care if you get the terms in writing, you will never be able to enforce the contract. What are you going to do? Take them to court? I don't care if they tell you they won't take charity.

A loan will only poison the relationship. Each time you have to call to collect on the missed payment it will damage both of you. Even if you don't have to make the call (unlikely) it will always get in the way of your family.

Note: a gift means no future expectations. You don't have the right to ask for it back. They don't owe you. You can't use it for emotional leverage. It must be given freely.

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