

With consumer credit numbers and housing foreclosure rates at all-time highs, there may indeed be someone close to you who needs financial help.

It could be a tough decision. Perhaps that person has had a spotless credit record and has been hit by a perfect storm of events—a lost job or sudden medical bills can destroy a person’s financial future in a few short months. Of course, it could also be someone you love who has not had the best financial record and a simple jump in their monthly payment for their adjustable rate mortgage might be all it takes to send them over the edge.

So what do you do? It was Shakespeare who wrote, “Never a borrower nor a lender be,” and he definitely had a point. Money has a way of gumming up the works in a relationship, even when relatives and friends are scrupulous about paying back. Why? When you’re helping someone, you’re losing cash flow.

So here are some questions to ask yourself before you lend a hand:

Can you afford this to be a gift? Anytime you help a friend or relative, it’s wise to consider the possibility of never being paid back. If you can’t face the possibility that you will never see this money again, don’t offer it. Talk to a trusted financial or tax adviser about your financial flexibility to assist someone in trouble.

Is there some other help you can offer besides money? If a person has a sick relative and he or she can’t afford respite care, or if the person’s home has undergone damage due to a storm, can you donate elbow grease or some other relevant support besides cash? If you can offer help in a way that actually cuts a friend’s or relative’s costs and saves him or her time, it could be more relevant in the long run.

Would you know how to structure a private loan? Private loans between friends or relatives require documentation, and the advice of a financial expert such as a financial planning professional can be helpful in this case. Loans can be structured in a way to give the lender a better deal than certificate of deposit (CD) rates and a borrower a significantly better deal than a bank, but it involves a binding agreement and both sides being informed about the consequences of breaking it.

Can you and your friend or relative discuss money honestly? There’s no more loaded a topic than money, and with some people the mere suggestion of the topic can bring guilt, resentment, and in some cases, anger. Discussing another’s money problems and offering help has to be planned, and to some degree, rehearsed.

Will your attitude about this person change? Money is a big window into a person’s life—you may have been friends forever, but once you get a glimpse of a person’s financial circumstances, you might see him or her differently or possibly feel you know too much about this person. Helping someone close to you with money can definitely change the balance of power in a relationship, and if you value the relationship, you really need to know if your perceptions will change about the person if you offer help.

How does your spouse or partner feel about you offering help? In the best of relationships, couples sometimes fight over the help and support one might offer their friends or members of their family. It is always wise to discuss all of these issues with a spouse or partner before an offer of financial help is made. It might uncover financial needs at home you never knew you had.

What if the one in need of a bailout is a prospective spouse or partner? This can get really dicey, or it can be a sign of how strong the relationship is. It’s not uncommon for prospective spouses or partners to have credit trouble or face financial problems when losing a job or facing health issues. Couples need to set financial ground rules as part of starting a new relationship, and clearing the air about financial worries is a good step going in. Couples should exchange critical financial information and credit reports as a way of dedicating themselves to responsible financial behavior for a lifetime.

Additional Resources

GasBuddy can help you find cheap gas prices in your city. It is comprised of 170 gas price information Web sites that help consumers find low gasoline prices.

HOPE NOW is an alliance between counselors, servicers, investors and other mortgage market participants to help homeowners stay in their homes.

If you are worried about foreclosure, the U.S. Department of Housing and Urban Development (HUD) **Guide to Avoiding Foreclosure** Web site www.hud.gov/ provides comprehensive information and advice.