

# Partnering with Family to Purchase Real Estate - Oregon Lifestyle & Home Magazine



Article by Michelle Johnson

Gifting a down payment is a popular way to help adult children purchase a home. Below is my Q & A session with [Judith A. McGee](#) of McGee Wealth Management, speaking to parents who desire to help adult children buy a home. *\*You should consult your financial advisor and tax preparer first to make sure you can comfortably afford to help and if there are any tax implications.*

**Q:** *As an Oregon [REALTOR](#), I am seeing more clients helping their adult kids purchase a home. What are some of the reasons we are seeing more parents helping their adult kids and grandchildren purchase homes than in the past?*

**A:** There are a combination of factors. College loans, stricter rules by lenders, high rents and lower pay for new grads make it very difficult for young adults today to save enough money for a down payment. It makes economic sense from a tax standpoint, investment standpoint and cash flow to help kids purchase a home. Kids may need a co-signer or assistance with a down payment. Parents helping to partner with their kids to get a start in a home purchase is a start to their economic life by building assets of their own. If a parent structures it right the home can be a rental with option for the child to purchase, or a home purchase by the child with the parent partnering in title. Or the parent can simply give a loan to the child, or as a gift.

**Q:** *From your personal experience of loaning money to your granddaughter to purchase her home, what advice, timelines or guidelines would you give other parents or grandparents when considering this option?*

**A:** My granddaughter Ashley wanted a rural home with acreage. She found one at an auction. The transaction had to be a cash purchase. I advanced the cash and within 6 months, from her sweat equity and making repairs and

improvements, she qualified for a loan to refinance. She paid back the money for the home and repairs and had instant equity. She sold the house and had a nice profit after two years. There are a variety of ways to finance a home for a child. Parents can use equity they have in their personal home to get a line of credit. They can use their securities to borrow against, or use a CD as collateral and use for a low interest loan. If the kids are a married couple and only one partner qualifies, sometimes a parent can partner with the qualifying child as a co-owner until the couple together can refinance.

**Q:** *What advice would you give someone thinking about engaging in loaning money to children or grandchildren to purchase a home?* **A:** I always say “Don’t be the bank.” It is best if money comes from an institution. Be clear about whether the money is intended as a gift or loan. If unclear, family members will often not pay the money back. The terms must be very structured and clear.



Judith A. McGee is the chair and chief executive officer of [McGee Wealth Management, Inc.](#) Judith was selected as one of [Barron's 2016 Top 1,200](#) Financial Advisers in the Country, and ranked number 1 in Oregon as published by Barron's Financial Newspaper. McGee attributes her prestigious achievements to her clients for their mutual trust and continued support, reinforcing her belief that putting her clients first is the best way to do business.

[Website](#) | [Facebook](#) | (503) 597-2222 | 12455 SW 68th Ave Portland, OR 97223



Judith A. McGee is a co-branch manager of, and offers securities through, Raymond James Financial Services, Inc. (Member FINRA/SIPC) in Portland. Any opinions are those of Judith A. McGee and not necessarily those of RJFS or Raymond James. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

### **Related posts:**

No related posts.