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The Family Money Conversation Few Prepare For

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The median single-family home in San Diego County recently crossed \$1,074,000, according to the California Association of Realtors, up from about \$586,000 ten years ago. If your child (or grandchild) is headed to a four-year university, you're looking at roughly \$30,000 a year for an in-state public school and north of \$60,000 for a private one, all in.

This is the world your children and grandchildren are trying to build lives in. If you have the means to help, you feel the pull, and helping the people we love is one of the best things we can do with our wealth. We believe that deeply at WEIL.

But how you help matters as much as whether you help. Good intentions plus sloppy execution can create tax problems, legal exposure, family tension, and real damage to your own finances. We see it more than we'd like.

Picture this. You're at dinner with your adult daughter and her husband. The talk turns to houses, and how hard it's gotten for a young couple to buy one. You love your child, you have the means, and somewhere between the entree and the check you offer to pitch in on a down payment. She tears up. Her husband shakes your hand. Everyone feels great.

You begin your drive home and start thinking about what you just committed to. How much should you give? What if the marriage doesn't last? Is there a tax issue? Should it be a loan instead of a gift? Does your other child get the same amount? If not, will your other child resent you for it?

It's one of the most common situations we see, and it always happens fast. The questions on that drive fall into two piles. One is about money and the law: how much, gift or loan, any tax problem. The other is about people: the marriage, the other child, what's fair. We'll tackle both, starting with the one that scares people most, because it's usually the easy one.

Gifts vs. Loans: Is There Even a Tax Problem?

For most of you, no. But it's the worry that makes people most anxious, so it's worth a few minutes to understand why the answer is no. Once that fear is off the table, the choice between a gift and a loan gets a lot simpler.

Most people walk in with a half-formed version of the rule. You've probably heard that you're allowed to give someone a certain amount of money every year before it becomes a "problem." What you may not know is how much that amount is, or what the "problem" even is. Let's nail down both.

Start with the problem. What people are afraid of is the estate tax, and many have only a fuzzy sense of what that is. When you die, the federal government can tax the money and property you leave behind before it passes to your heirs (the top rate is 40%). But there's a large exemption first. In 2026 it's \$15 million per person, \$30 million for a married couple. If your estate is below that, you owe no federal estate tax (however, note that some states levy estate taxes separate from federal). Most families are nowhere close, and under current law that exemption is permanent and rises with inflation each year.

Here's the part that surprises people. The government doesn't just look at what you leave behind at death. It also counts the large gifts you made while you were alive. The lifetime gift limit and the estate tax exemption are not two separate numbers. They're the same \$15 million bucket. Every big gift you make during your life draws down the amount that will be shielded when you die. That's the only reason gifting and the estate tax are connected at all. They're two ends of the same system.

So, when you hand your child money, does it eat into that \$15 million? Only the part above the annual exclusion. That exclusion is the "certain amount" you'd half-heard about. It's the freebie that sits on top of everything else and doesn't count against the bucket at all. In 2026 it's \$19,000 per recipient, or \$38,000 if you and your spouse give jointly, and you can give that to as many people as you want, every year, with no form to file. It also stacks in a way couples often miss: each spouse can give \$19,000 to each recipient. So if you and your spouse are helping your married daughter and her husband, that's four separate donor-recipient pairs, which means up to \$76,000 in a single year, with no reporting requirement.

Give more than the annual exclusion and you file a gift tax return (Form 709). The excess counts against your \$15 million, but filing is not the same as paying. You'd only owe tax after giving away the entire \$15 million, which most do not. For most families, gifting is paperwork at most, never a bill.

This brings us back to the real question. Unless your estate is approaching \$15 million (\$30 million as a couple), the choice between a gift and a loan has nothing to do with taxes. The decision is emotional and it's about family dynamics. Do you want to simply hand the money over, or do you want the structure and accountability that a loan creates? Most people overthink the tax side and underthink that one.

If you decide on a loan, treat it like one. That means a written promissory note, a stated interest rate at or above the IRS Applicable Federal Rate, and a real repayment schedule. Without that, the IRS can reclassify your "loan" as a gift. For most families that reclassification costs nothing, so the documentation matters most in two cases: your estate is near the exemption, or you genuinely expect to be repaid and want it enforceable.

Helping with a Down Payment

This is the most frequent request we see. Lenders will ask where the money came from. Most mortgage underwriters require a gift letter confirming the money is a gift and that no repayment is expected. If you do expect repayment, that changes your child's debt-to-income ratio and could sink their loan approval. Timing matters too. If the money is a true gift, a large deposit landing right before closing will trigger questions, so move the funds early enough to season in the account, typically 60 days. Just remember, seasoning only works for gifts. If you actually expect to be paid back, letting the money sit for two months doesn't magically solve the debt-to-income issue. A loan is still a loan, and it has to be disclosed to the lender no matter how long the funds have been in the account.

Keep Your Name Off the Hook: Co-Signing and Cars

Two common ways to help carry the same hidden risk: your name stays on it, and so does the liability.

When you co-sign, you're not vouching for someone's character. You're taking on a legal obligation to repay the full balance if they don't, and that liability shows up on your credit report, shrinks your borrowing capacity, and can even land collections activity on you. Our guidance: if you can afford to make the gift outright, do that. If you can't afford to absorb the whole loan as a loss, don't co-sign. The middle ground is where relationships get damaged.

Cars are the same trap in a different form. If you're buying one for a child or grandchild, give them the car, with title and insurance in their name. Pay the premium yourself if you want, but the policy should be theirs. An auto policy covers drivers by where they live, so if yours says the driver lives at your address and they don't, you may have no coverage when you need it. And if your child causes a serious accident in a car still titled to you, you're the one with the assets and named in the lawsuit. Own it for five minutes, then sign it over.

Don't Fund Their Diploma at the Expense of Your Retirement

This one gets its own section because we see it constantly, and the damage is usually invisible until it's too late.

Parents want to protect their children from student debt. That instinct is understandable. But according to a Citizens Bank survey, more than 60% of parents expect to delay their own retirement to pay for college, and a LendingTree study found 68% would consider pulling from retirement savings to cover tuition.

Here's some rough math that rarely comes up at the kitchen table. A parent who pauses IRA contributions for four years at age 45 to fund tuition can give up roughly \$100,000 in retirement wealth by age 65, once you account for lost compounding. That's not a rounding error. It could be the difference between financial independence and becoming dependent on the very children you were trying to help.

There's an old line in financial planning that's blunt but true: your children can borrow for college; you can't borrow for retirement.

The better approach is an honest conversation about what you can contribute without compromising your own plan, then helping your child close the gap. That might mean a less expensive school, starting at community college, merit aid, or a reasonable amount of student debt. None of those is a failure. On an airplane, you secure your own oxygen mask before helping the person next to you. Same here: you're no help to your children if you run out of air, or in this case, money, first.

When a Parent Needs Help

This side of the equation is harder to talk about, and it's just as common.

Paying someone's medical expenses or tuition directly, meaning the check goes straight to the provider or the school, does not count against the annual gift exclusion. This is one of the most underused provisions in the tax code. Pay the assisted living facility or the doctor directly rather than routing money through your parent's checking account, and the gift tax question disappears entirely.

If a parent is nearing the point of needing long-term care, the timing of any transfers matters for Medicaid eligibility. Most states have a five-year lookback on asset transfers, and help at the wrong time can disqualify them from benefits they'd otherwise receive. Get an elder law attorney involved early; it can save real money and stress later.

When Generosity Creates Problems

We've seen families handle six-figure gifts with zero friction, and we've seen \$10,000 tear siblings apart. The difference almost always comes down to transparency and consistency.

Help one child with a down payment and the others will find out. They may not say anything, but they'll have feelings about it. Decide up front whether it's an advance on their inheritance (and document it that way) or a standalone gift you'll match for each child over time, then say so. The ambiguity causes the problems, not the money.

Something We've Been Doing That Works: Family Financial Summits

Over the past few years, we've started facilitating Family Financial Summits for clients who want to get ahead of these conversations instead of reacting to them. The format is simple. We bring the family together, sometimes two generations, sometimes three, and walk through the big picture: where things stand, what the plan is, and what everyone should expect.

The results have been striking. One client couple had been quietly helping their youngest son with rent for two years without telling their other two children. During the summit, they laid it out in the open, explained their reasoning, and outlined how they'd balance things over time. The conversation they expected to be the hardest of the day turned into the easiest. Their oldest daughter said she was just glad they'd told her, because she had assumed it was happening and it bothered her that nobody acknowledged it.

These don't need to be formal or stiff, and most run about 90 minutes. We handle the agenda, the facilitation, and any follow-up. Our job is to keep it from turning into a Thanksgiving table argument.

Let's Talk

If any of this hits close to home, or if you've been putting off a conversation you know you need to have, we're here to help. We can start with a one-on-one meeting, or help you plan a Family Financial Summit built around your family.

Reach out to your advisory team or call us directly at (858) 724-6040. These conversations are almost always easier than people expect, and the relief on the other side is real.

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