#### **MONEY MANAGEMENT**

## TREAT LOANS AS BUSINESS TRANSACTIONS

Don't let your emotions cloud your thinking when making loans to family members. Family relationships are less likely to be jeopardized if you work out the details of any loan agreements before you hand over the money to a relative.

### HOW MUCH CAN YOU AFFORD TO LEND?

The Nevada Society of CPAs recommends that before you lend money to anyone, you should assess your current financial situation. Consider the impact a loan will have on your cash flow, outstanding debts and

women in business advocate awards.

Inn. Terrace Room.

future financial goals. This will guide you in determining how much you can afford to lend and for how long. Don't jeopardize your own financial situation by borrowing money against credit cards or from other sources in order to make a loan to a relative.

#### SETTING INTEREST RATES

Once you have determined how much money you can afford to lend, the next step is deciding how much interest, if any, you will charge. If you have cash in savings vehicles offering low returns, such as 3 percent, you

LVCC HOSTS U.S. SMALL BUSINESS

ADMINISTRATION AWARD LUNCHEON

Small Business Administration Award Luncheon on Friday, May

20, at 11:30 a.m. featuring small business people of the year and

Area Chamber Coalition and will be held at the Sheraton Desert

table or eight. For reservations, call the Chamber at 641-LVCC

being of Southern Nevada, the Las Vegas Chamber of Com-

merce is a service organization which provides significant value

to it's members by offering them opportunities to build their

businesses through ongoing programs and activities.

The Las Vegas Chamber of Commerce will host the U.S.

The luncheon will be sponsored by the Southern Nevada

Cost for LVCC members is \$20 per person and \$150 for a

Dedicated to protecting and enhancing the economic well-

can offer your relative an interest rate of 6 percent and eam more money. What's more, a 6 percent rate is advantageous to your relative since it is lower than typical rates on personal, consumer and home-equity loans.

In establishing an interest rate on an intrafamily loan, be sure to consider the federal tax implications. Minimum interest rates are fixed by the federal government according to the type and term of the loan. For a demand loan (a loan payable in full at any time on demand of the lender) if you don't charge the applicable short-term federal rate (recently 3.92 percent), you are considered to have "imputed" or unstated interest and will be taxed on the difference between the federal rate and what you actually charged. There are several important exceptions to these rules.

The imputed interest rule does not apply to loans of up to \$10,000 if the loan is used for certain non-business purposes. For example, if your brother needs to borrow \$5,000 to finish his college education and you opt to lend him the money inter-

est-free, you will not incur any imputed interest.

On loans of up to \$100,000, interest will be imputed to the lender only to the extent of the borrower's annual net investment income (i.e. interest, dividends, and capital gains). If such income is less than \$1,000, no imputed interest is deemed transfered to the lender. So, if upon your daughter's completion of law schol, you lend her \$50,000 to start a law practice and she has no investments that are producing income, you can provide the loan at an interest rate that is below federal minimum rate without any tax reper-

Keeping mind, too, that making loans of over \$10,000 at a below-market interest rate may result in the loan being demed a giftin the IRS's eyes. As a result, you or the recipient may be required to pay a gift tax.

FINANCING A RELATIVES

HOME PURCHASE

If a family member asks you to help finance a down payment on a new home, you can offer to make a number of different arrangements. For example, you can deposit the money needed to satisfy the down payment in a collateral account with the mortgage lender. With this type of arrangement, your deposit, plus interest, will be returned once the mortgage lender determines that the mortgage holder has built up sufficient equity in the home.

Depending on your financial situation, you can also consider holding the mortgage on the home yourself. Structured properly, you may be able to generate more income this way than by putting your money in other investments. Assuming you charge your relatives an interest rate that is lower than the current rate of mortgage lenders, your relatives will be able to build

equity in their own homes. In addition, they save on points and other bank service fees.

If you prefer to provide your relative with a personal loan to help finance a down payment, your relative may be able to claim the interest paid to you as deductible mortgage interest if the loan is secured by the residence.

#### PUT AGREEMENTS IN WRITING

CPAs recommend that you put all loan agreements in writing, clearly specifying the amount of the loan, interest rate, repayment schedule, and if necessary, collateral. This will help ensure that you are repaid according to your wishes.

Money management is a public service announcement on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5250 Neil Road, Suite 205, Reno, Nevada 89502.

# SCHOLARSHIPS RECENTLY AWARDED TO LOCAL DISADVANTAGED AND DISLOCATED STUDENTS

A number of scholarships have recently been granted to disadvantaged and dislocated students by BATES SCHOOL OF TRAVEL, a post-secondary vocational facility licensed by the Nevada Commission on Post-secondary Education.

The school with its travel agency laboratory setting offers a complete twelve week 300 hour general course on Travel/Tourism for people 18 years of age or older. The specific goal of the school is to provide an educational process that gives students the competence and professionalism necessary to start a career in the industry.

The school has developed an "extern-ship" program that gives students an opportunity to actually acquire industry experience in the work place. The development of A network of travelrelated businesses in the Las Vegas community make this possible. That network includes airline carriers, resort properties, travel agencies, convention and visitors bureaus, wholesale tour operators, and reservation centers. This program is so successful that students are often employed by the business that accepted them as externs.

Bates automated laboratory features airline reservation computers which allows students to access computer based instruction and actual "real-time" computer work. An additional program offers an interface with multi-media and interactive software which uses state of the art hardware that makes the facility

a premier supplier of educational technology for the Travel/Tourism industry.

Sandra Bate is the president of Bates with over 20 years experience in the travel industry.

The students were selected for scholarships and grants based on their motivation to succeed and desire to obtain a career in the industry but lacked the financial means.

Sandra Bate is the president of Bates with over 20 years experience in the travel industry. Michael K. Williams is the Administrator with an extensive background in Travel/Tourism; specializing in operations management and prior experience in post-secondary education.

### **LEGAL LINES**

(Continued from Page 6)

Q: I recently proceeded to court with a personal injury case and lost. My lawyer is not saying I have to reimburse him for cost of this lawsuit. I reminded him that we had a contingency fee agreement which stated that he would not collect unless be recovered money for me. He explained to me that even though I do not have to pay him attorney's fees, that I have to reimburse the cause of the lawsuit. I do not understand. I believe it is a misunderstanding when lawyers advertise that they don't get paid unless they recover money for you. What gives? Please answer ASAP.

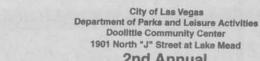
A: This is a common misunderstanding. Often, even if you do not have to pay attorney's fees based on financial recovery, you are still responsible to pay for cost of the lawsuit. This could include such items as filing fees, etc. For this reason, it is always important to have an agreement completely explained prior to signing. Otherwise, an individual is often responsible for cost which they did not know about beforehand.

Q: My son was arrested for possession of marijuana. It as found in the apartment which he shared with a worthless roommate. My son insists that the marijuana belongs to the roommate. Why was my son arrested?

A: Perhaps the police could not determine who owned the marijuana because they didn't find it on either person. Perhaps they found it somewhere else in the apartment. There is a concept in the law known as constructive possession. A person can be arrested even if drugs are not found on their person, but is instead found in an area where they lived or are present at, or have access to. Please consult an attorney who practices in the area of criminal law, so they can explain this concept to you more completely and examine the facts of this case.

Q: I earned \$2,000 per month before taxes. I pay \$500 per month for two children. I believe this is too much. Can I get relief?

(See Legal Lines, Page 26)



# 1901 North "J" Street at Lake Mead 2nd Annual COMMUNITY BLOCK PARTY



#### Come and enjoy a day of FAMILY FUN at the park Saturday May 21, 1994

Activities Include:

 MEN'S & WOMEN'S SOFTBALL TOURNAMENT
 9:00 a.m.

 3 ON 3 BASKETBALL TOURNAMENT (Limited to 30 teams)
 9:00 a.m.

 CHILDREN'S GAMES
 10:00 a.m.

 DRILL TEAM COMPETITION
 11:00 a.m.

 POOL ACTIVITIES
 11:00 a.m.

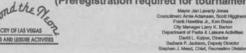
 STEP SHOW COMPETITION
 1:00 p.m.

 SINGLES DOMINOES TOURNAMENT (Limited to 20 entries)
 1:00 p.m.

 DOUBLES SPADES TOURNAMENT (Limited to 20 entries)
 2:00 p.m.

## LIVE ENTERTAINMENT 9:00 -11:00 a.m. and 2:00 -3:00 p.m. Co-Sponsor-KCEP Radio FM 88.1 Co-Sponsor-CONGRESSMAN JIM BILBRAY Dr. M L K Committee

Call 229-6374 for more Information
Call 229-2089 for softball tournament
(Preregistration required for tournaments and competitions)



386-9108 (TDD # for the Hearing Impaired)

The City of Lee Vagos Department of Finite and Laisure Anti-ties provides distriction based on one, coin, national right, age, or shadily in its programs and anti-ties. If any individual before he or she has been discriminated against, he or who may the distriction of the based on the based

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