

**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

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

can offer your relative an interest rate of 6 percent and earn 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 transferred to the lender. So, if upon your daughter's completion of law school, 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 repercussions.

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

**FINANCING A RELATIVES**

**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 travel-related 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

**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.*

a premier supplier of educational technology for the Travel/Tourism 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 he 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 was 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)*

**LVCC HOSTS U.S. SMALL BUSINESS ADMINISTRATION AWARD LUNCHEON**

The Las Vegas Chamber of Commerce will host the U.S. Small Business Administration Award Luncheon on Friday, May 20, at 11:30 a.m. featuring small business people of the year and women in business advocate awards.


The luncheon will be sponsored by the Southern Nevada Area Chamber Coalition and will be held at the Sheraton Desert Inn, Terrace Room.

Cost for LVCC members is \$20 per person and \$150 for a table of eight. For reservations, call the Chamber at 641-LVCC (5822).

Dedicated to protecting and enhancing the economic well-being of Southern Nevada, the Las Vegas Chamber of Commerce 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.

City of Las Vegas  
Department of Parks and Leisure Activities  
Doolittle Community Center  
1901 North "J" Street at Lake Mead

**2nd Annual COMMUNITY BLOCK PARTY UNITY FESTIVAL**



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)

Mayor Jan Laverty Jones  
Councilman: Arnie Adamsman, Scott Higginson,  
Frank Hamilton Jr., Ron Stone  
City Manager Larry K. Barton  
Department of Parks & Leisure Activities:  
David L. Rubin, Director  
Stephan P. Jackson, Deputy Director  
Stephen J. Mead, Chief, Recreation Division

386-9108  
(TDD # for the Hearing Impaired)

*Beyond the Neon*  
CITY OF LAS VEGAS  
PARKS AND LEISURE ACTIVITIES

The City of Las Vegas Department of Parks and Leisure Activities prohibits discrimination based on race, color, national origin, age, or disability in its programs and activities. If any individual believes he or she has been discriminated against, he or she may file a discrimination complaint with the Director, Equal Opportunity Program, U.S. Department of the Interior, National Park Service, P.O. Box 51727, Washington, D.C. 20515-1727.

For information about accessible facilities and services, to request printed materials in an alternative format or to request an accommodation at any division program, activity or service, call 229-6729 (Voice) or 386-9108 (TDD). If an individual believes he or she has been discriminated against, he or she may file a complaint with the City of Las Vegas ADA (Americans With Disabilities Act) Program Administrator, 400 S. Stewart, Las Vegas, NV 89101, 702-259-6716 (Voice) 702-386-9108 (TDD).