

Helping Family with Financial Issues

Back in August of last year I published a ~~rant~~ post about [co-signing for friends or family](#) on loans. Okay, it was a rant, and going through the details of what went down the time I tried to help my dad out, got me all fired up. By the end of the post I was so angry that I declared it the last time I would ever co-sign for anyone ever again.

Can you guess where this is going?

Yep, I decided to break my promise, and help my 26 year old brother out.

The Back Story

My brother totaled his car about two weeks ago. He was driving home from work when his steering locked up and caused him to go over a curb, get air off a tree stump, go under a fence, and slam strait into a tree. The tree stopped him from going onto a golf course.

He bought the car new back in January of 2015. He financed it over 60 months with a 2.9% interest rate. At the time he was working for the Nissan dealership, otherwise I don't think he would have ever been approved for this loan or interest rate. This is because his credit score isn't that great, but more importantly his income doesn't support a \$415/month car payment. Why you may ask? At \$11.50/hour, he is barely clearing \$1,450/month after taxes. **That's 29% of his income!** They literally let him buy a car that was worth almost exactly what he made in a year.

That is before car insurance, regular maintenance, annual registration, etc. The fact that the dealership even let him finance this amount makes me a bit peeved, but this is not another rant, so I won't even go there. They literally let him buy a car that was worth almost exactly what he made in a year.

So, my brother totaled his car, his only means of getting to and from work. **He has no savings, and is living paycheck to paycheck (barely)**. Oh, and he has an almost 3 year old little girl that he needs to be able to pick up and drop off on the weekends.

His insurance covers up to 30 days for a rental car while the adjusters figure out the accident and the value of the claim. He got a call on Friday that stated the car was considered totaled and that they had valued it at \$13,800. Unfortunately, the remaining loan on the car was closer to \$17,000. The good news is that my brother did pay for gap insurance through the dealership, so he will not have to come up with the difference between the claim amount and what is owed on the car.

The bad news is the insurance company also told him that he will need to turn in his rental car the following Monday.

We had met up earlier in the week for dinner, I of course was more than happy to treat him to dinner. Before we met up, my wife and I had previously discussed helping him get another car...even if it meant we would co-sign for him. Without a car his job would be in jeopardy and so would his responsibilities as a father. We were thinking of him just as much as we were thinking of our little niece.

What Happened Next?

Although my brother has made some decisions that have made his life more difficult than it needed to be, he has taken personal accountability and is really trying the best he can. His whole existence is about trying to be the best dad he can be, and to do everything he can for his little girl. As you could imagine, on his income, it is impossible for him to get a place of his own. Instead he pays \$300/month to sleep on the couch at my aunt and uncles house.

He is trying so hard to move up at work and is hoping to get a nice raise in April that would make life a bit easier.

That said, this is the last thing he needed to happen. While at the same time this is exactly what he needed to happen based on what my wife and I were able to do for him. My wife was totally prepared to give him (as a gift) a few thousand dollars for a down payment. However, I am not a big fan of just giving money, as I don't think it teaches anyone anything. Instead I negotiated with her for us to co-sign him into a new (safe) car. We happen to be big fans of Hyundai because of their 100,000 mile or 10 year warranty (what ever comes first). The cars are stylish, safe, and very reasonably priced.

Since he needed to turn in his rental on Monday, I had him drive down with his little girl this past Saturday to go get the car that day, we really didn't have any time to

waste. While I was waiting for him to show up, I contacted the internet sales guy at Hyundai and looked into interest rates at the credit union we are both a part of. By the time he got to my house by lunchtime, I had already pre-negotiated the price and details of the car. My number one goal was to put him in a safe, reliable, and much more affordable car (compared to what he had).

We grabbed some lunch on our way to the dealership, because even when you pre-negotiate everything, you are still there for several hours.

We didn't end up going through the credit union as I ended up structuring the car as a lease to buy. Based on the money factor on the lease, the embedded interest rate in the lease payment was 1.9%. His new payment would be \$263/month, which includes the GAP insurance (protects us both) and all of the regular maintenance done by Hyundai (like oil changes, tire rotations, etc). It also includes all the registration, taxes, and other fees that get amortized over time.

Although I was willing to put money down for him, I was able to structure it with no money down. Oh, and the first payment isn't due for a month, so he will have a month of no car payment, which will allow him to build up a little savings for the first time in a long time.

So, we were able to reduce his monthly payment from \$415/month to \$263/month for a savings of \$147 or 35% lower.

We set it up in a way that as long as all the payments are made on time (which I will make sure happens no matter what), he will be able to buy/finance the car for \$11,500 at the end of the lease on his own.

Next Steps

Before he left, we sat together in front of my computer and put together a monthly budget for him through the end of the year. We also got him set up with a FREE account with [Personal Capital](#) so he could more easily track all of his spending. The plan is to have him and his little girl come down once a month so that we can compare his actual spending to the budget and fine tune it. We also want to try to find areas where he can save money.

He is excited to finally get his financial house on a more solid foundation.

My plan is to help guide him in making better financial decisions. I also want to try and help him get his income up to at least \$20/hour over the next 12-months. This would put his annual earnings around \$40,000 a year, which would then allow him to get his own place and still have room to save money every month. As you guys know, I tend to spend more time figuring out ways to increase income, rather than cut expenses. However, my brother is at a point where we need to really focus on both equally at the moment.

It really brought a lot of comfort to my wife and I that we were able to not only help my brother out, but also the fact that we were able to help create a gap between the income he has coming in and the expenses he has going out. It was also awesome to see my brother's eyes light up when he saw that he could actually start building up some savings over the coming months.

This whole experience was actually very humbling and eye opening. My wife and I have been very fortunate in our own lives and are grateful for all the opportunities that we have been afforded. We are excited to help my brother along his own financial journey.

-Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a

beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)