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# Should you give your child a down payment to buy a house?

By Melissa Leong

*Kevin O'Leary, Robin Taub and Karin Mizgala weigh in on this financial quandary*

**When it comes to money decisions, it can be hard to figure out the right thing to do. Money is about power, emotion, morality, and security, among other things. So in this space, we gather personal finance luminaries to weigh in on a financial quandary. This week's question: Should you give your child a down payment to buy a house?**

**Kevin O'Leary, author of *Cold Hard Truth on Family, Kids & Money*:** Giving your child a down payment for a house is an incredibly bad idea. Invariably, your "gift" will be like the first taste of a drug - and before you know it, your son or daughter will be a full-fledged debt addict.

Your down payment in most cases assumes that they will be taking on a mortgage for the rest of the home's value. This may be on top of the student loan they already have, plunging them further into debt. Many people make the assumption that buying a house with mortgage debt is always a good idea because the home value will appreciate over time. This assumption made sense over the last 25 years, as rates did nothing except go down. The direction of real estate's value during periods of rising rates is far less certain. My bet is that home values will be stagnant over the next five to seven years, which is the average time that people own a home. That is because interest rates are likely to rise over the same period.

If you are inclined to gift your children money, you are better off having them invest it in conservative large-cap, dividend-paying stocks and short duration bonds. When they see the dividend and interest payments show up in their account, they'll be developing a much healthier habit: saving, investing, and watching their wealth

grow. Not only that, but they can use the dividends and interest payments they will be getting to help pay their rent!

**Robin Taub, chartered professional accountant and financial literacy consultant:** Giving a child a down payment on her home is something a parent does because they can afford it and they want to - it's not a "should."

If your child is otherwise financially independent and fully "launched" and the other two criteria above apply, then why not help them out. It's an act of generosity that will make a big difference in their quality of life. You also don't have to give them the whole down payment, perhaps just a portion. (Don't forget to talk to your child and make sure they can afford to carry the house and operate it, without becoming house poor, even with your help on the down payment.)

**Karin Mizgala, CEO Money Coaches Canada and author of *UNSTUCK: How to Get out of Your Money Rut and Start Living the Life you Want*:** Before making any promises to help out financially, you need to ask yourself: 1) Can I really afford to (especially if you have several children and want to play fair) and; 2) is it really necessary? Mixing money and family can lead to conscious and unconscious resentments, power struggles and miscommunication, so if you do decide to ante-up up, best to structure the deal as a loan with a proper written agreement.