

# The rise of the intrafamily loan

An intrafamily loan is a wealth planning strategy that has become increasingly more utilized in the current interest rate environment. These loans can be used for a variety of reasons, including helping a child purchase a home, investing in a business, or just providing additional liquidity.

The rate of these loans is lower than a traditional loan. The interest rate used is based on the Applicable Federal Rate (AFR) published monthly by the IRS.

These rates change monthly. To view the current rate, click [here](#). When implementing a loan of this nature, the AFR is the minimum rate that can be charged without incurring adverse income or gift transactions.

To illustrate how this may work, let's look at a loan for a home purchase. If a parent or grandparent lent their child/grandchild money for the purchase of a home, using this strategy, based on the current long-term AFR rate, you can easily calculate the monthly payment. These types of loans avoid fees, underwriting, and other hurdles that an individual may be subject to when obtaining financing. In addition, the annual loan payment, if forgiven, could be considered part of the couple's qualified annual gifting (\$19,000 per individual in 2025).<sup>1</sup>

If it is determined that an intrafamily loan is appropriate, it is recommended that counsel is sought to draft proper documentation to formalize the loan. The loan documentation or promissory note should include the details of the loan, including the interest rate and any other terms of the loan (time period, collateral, etc).

Be aware that any portion of the loan that is forgiven, will be considered a gift. In which the lender can apply their lifetime exemption (\$13.99 million per individual in 2025).

It is recommended that you consult with counsel prior to engaging in this type of transaction to ensure it is appropriate given the individuals specific goals and objectives.

Published January 2025

Mesirow does not offer intra family loans.

1. <https://www.mesirow.com/sites/default/files/PDFs/Wealth/2022-Contribution-Limits-web.pdf>

Source: [apps.irs.gov/app/piclist/list/federalRates.html](https://apps.irs.gov/app/piclist/list/federalRates.html)

**Mesirow does not provide legal or tax advice.** Past performance is not indicative of future results. The views expressed above are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Mesirow associates. This is not a solicitation to buy or sell the securities mentioned. Do not use this information as the sole basis for investment decisions, it is not intended as advice designed to meet the particular needs of an individual investor. Information herein has been obtained from sources which Mesirow believes to be reliable, we do not guarantee its accuracy and such information may be incomplete and/or condensed. All opinions and estimates included herein are subject to change without notice. This communication may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If you are not the intended recipient, you are strictly prohibited from disclosing, copying, distributing or using any of the information. If you receive this communication in error, please contact the sender immediately and destroy the material in its entirety, whether electronic or hard copy. This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2025, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.