



Promissory Notes

The information provided here is based on the assumption that you are borrowing money from a family member or friend. If you are borrowing from a true financial institution, they will have their own, more detailed forms. Borrowing money from family or friends has great advantages, and some disadvantages also.

The advantages include elements like:

- ❖ Your credit score shouldn't be a factor
- ❖ Your interest rate, payment time table and payment amounts are mutually agreed to
- ❖ Remedies for non-payment can be very relaxed
- ❖ Relatives/friends may be less likely to pursue legal avenues if payments are not made

The disadvantages are:

- ❖ You don't get any credit history help for timely payments (credit score bump)
- ❖ Money brings out the worst in some people, and relationships may suffer if there is ever a dispute

We are approaching this borrowing of money situation from the standpoint of you having every intention of paying the money back, with interest, in a timely fashion. This avenue is just better for you at the moment than going through a financial institution. The Promissory Note acts to reinforce your good faith statement that you will repay the borrowed money within the set guidelines which are mutually agreed to. You also want this paperwork to exist, along with canceled checks and/or repayment receipts, in the event you find that you can deduct the interest paid when it comes to tax time. Note: if you pay more than \$599 to any single person during the course of a calendar year you may be required to issue a 1099 form to them at the end of the year showing the amount you have paid them. Your tax advisor will be able to better guide you on this issue.

The Promissory Note template is provided in Rich Text Format, making this easy to open and edit with virtually any Operating System and word processing program. Some of the standard language may seem like overkill for your particular situation. With mutual consent, you may strike through and elect to not invoke a part or parts of this Note. Keep in mind - the primary objective is to show that you have (or will) borrowed money, and will repay those funds plus interest within a given time, on a prearranged schedule.