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The Bank of Mom & Dad

Seven centuries of family credit, the forces that made it structural, and what happens when the oldest lender finally gets rails.

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8 parts + appendix

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Executive summary

The Bank of Mom & Dad, or BOMAD, is not a trend. It is the original form of credit, temporarily displaced by institutional finance during a narrow window of the twentieth century, and now reasserting itself because the economics of household formation demand it.

Seven findings anchor this paper:

1. Family lending predates banking; banking is the abstraction. Before institutions, households borrowed through kinship and community networks underwritten by reputation rather than collateral.[1] Europe's earliest banking houses were family balance sheets that grew large enough to need a name. The mid-century American norm of the fully independent young adult household was the historical anomaly, not the baseline.

2. Nobody in the United States measures it. The United Kingdom has been sizing BOMAD annually since 2016.[2] The United States has no equivalent series. The last serious national attempt, in 2019, found family and friends supported $317 billion of property purchases in a single year, which would have made BOMAD the seventh-largest mortgage lender in the country.[3] The country's largest informal lender is invisible to its own statistical apparatus.

3. It is now load-bearing for homeownership. The share of first-time buyers has fallen to 21%, a record low since tracking began in 1981, and their median age has risen to 40, a record high.[4] Roughly one in five Gen Z and millennial homeowners used a family cash gift for their down payment.[5] Among parents, 59% have helped or plan to help a child buy a home.[6]

4. The driver is a structural mismatch, not generational failure. Baby Boomers hold roughly 52% of U.S. household net worth; households headed by someone under 40 hold 6.6%, down from 12.0% in 1989.[7] Meanwhile inflation-adjusted home values rose 30% between 2019 and 2024 while incomes for under-40 households rose 9%.[8] Capital is needed at 30 and held at 65. Every multigenerational family contains both ends of that gap simultaneously.

5. The damage comes from informality, not from lending. Roughly half of family lenders never put the agreement in writing and never set a repayment timeline.[9] Around a quarter report the loan damaged the relationship.[10] An undocumented transfer can be recharacterized as a gift; a loan below the Applicable Federal Rate triggers imputed interest under IRC §7872.[11] None of these are lending failures. They are documentation failures.

6. Advisors are exposed on both sides. Only 27% of investors expecting an inheritance plan to keep their benefactor's advisor, falling to 20% among those who have already inherited.[12] The most common reason is not performance. It is the absence of a relationship.[13] Intra-family lending is one of the few moments where an advisor is structurally invited into the next generation's financial life, and most firms currently have no product to meet it with.

7. The infrastructure gap is the solvable part. A lending institution is five things: trust, capital, underwriting, rails, and a ledger. BOMAD already has the two that money cannot buy. The three it lacks are software.

Part I: Origins, or why the family was the original bank

1.1 Credit before institutions

In early modern Europe, ordinary households borrowed constantly, to cover a failed harvest, buy livestock, meet a tax bill, or bridge a season. Almost none of that capital came from an institution, because for most people no institution was reachable. It came through kinship and neighborhood networks, and access depended on standing in the community rather than on formal qualification. Reputation functioned as the credit score.[1]

The mechanics are familiar to anyone who has watched a family loan happen today. Agreements were frequently verbal, or recorded informally in household account books and private notes. Terms varied with circumstance. Interest was sometimes repaid in kind. Repayment schedules were renegotiated when conditions changed, so a failed harvest or an illness produced forbearance rather than foreclosure.[1]

Two properties of that system are worth naming, because they explain both its endurance and its failure modes. It was extraordinarily flexible, which is why it survived the arrival of formal banking rather than being replaced by it. And it was almost entirely undocumented, which is why disputes were resolved socially, through reputation, obligation, and family standing, rather than contractually.

1.2 The first banks were families

Europe's earliest banking houses were not an alternative to family lending. They were family lending that scaled. In fourteenth-century Florence, the Bardi and Peruzzi households pooled capital across generations and lent to monarchs, merchants, and the Church. The unit of account was the family. The balance sheet was the household's. What made them banks was not a different underwriting philosophy but a larger surface area and, eventually, a name on the door.

The same pattern recurs later and elsewhere. Research on early New England banking has argued that the first banks there functioned less as commercial banks in the modern sense than as the financial arms of extended kinship networks, used to raise capital for a family's diversified enterprises and give those operations an institutional base.[14] Kinship-based credit systems in colonial-era South Asian merchant communities operated on similar logic, with financial credibility tied to family standing and enforcement running through social sanction rather than courts.[15]

The through-line: institutions did not invent lending between people who trust each other. They invented lending between strangers, which is a harder problem requiring collateral, underwriting, and legal enforcement. Family credit is the simpler primitive underneath.

1.3 The era when family capital had paperwork

For several centuries, the intergenerational transfer at the moment of household formation was actually documented. Dowries and marriage settlements were negotiated, written, and enforceable. They specified what moved, from whom, to whom, and under what conditions. Whatever their social character, and much of it does not survive contemporary scrutiny, they represented something the modern family transfer has lost: an explicit, recorded contract governing the movement of capital from one generation to the next.

This is the historical irony at the center of the modern problem. Family capital transfers were better documented in 1750 than they are in 2026.

1.4 Rebuilding the family bank without an institution

Where communities arrived without credit histories and could not access formal lending, they rebuilt the family bank from scratch as rotating savings and credit associations: the tanda, susu, hui, kameti, equb, stokvel, and dozens of regional variants. Members contribute on a fixed schedule; each takes the pooled amount in turn. Homes were purchased and businesses started with no institution involved.[16]

These systems worked because they solved the same two problems institutional lending solves, using different instruments. They aggregated capital, and they enforced repayment. Enforcement ran on social capital rather than legal recourse. Their limitation was also the same as BOMAD's today: no durable record, no portability, and no way to translate a strong repayment history inside the circle into standing outside it.

1.5 The twentieth-century interruption

The middle of the twentieth century produced, in the United States, a historically unusual arrangement. A broad expectation took hold that a young adult would form an independent household without family capital. Rising real wages, federally subsidized mortgage access, cheap land at the metropolitan edge, and low higher-education costs made it briefly plausible for a median household to buy a first home on a single income in the buyer's twenties.

That window shaped a set of cultural assumptions that outlived the conditions producing them: that needing family money signals failure, that a parent helping a grown child indicates a problem, that financial independence and family capital are opposites. Those assumptions are the reason so much of BOMAD stays undocumented today. Families are not just avoiding paperwork. They are avoiding a conversation that the culture coded as shameful, using a norm that held for roughly one generation out of the last thirty.

Part II: The naming and the sizing

2.1 The UK gets a number

The phrase "Bank of Mum and Dad" entered common usage in the mid-2010s, and in 2016 Legal & General and the Centre for Economics and Business Research did something no one had done. They sized it. Their finding was that parental contributions funded deposits on more than 300,000 UK property purchases that year, roughly £5 billion, involved in about a quarter of all UK property transactions by value. On a table of mortgage lenders, that placed the Bank of Mum and Dad in the top ten.[2]

The series continued. By 2019, average parental contributions had risen to £24,100 and total lending to £6.3 billion, keeping BOMAD inside the top ten UK lenders.[17] Legal & General also documented the cost borne by the funders: contributions drawn from cash savings, pension withdrawals, and equity release, with a meaningful minority reporting reduced retirement security as a result.[17]

The UK research established something important beyond the numbers. It established that this is a measurable financial flow rather than a diffuse cultural phenomenon, and that once measured, it is unignorable.

2.2 The US gets one number, once

In 2019, Legal & General extended the exercise to the United States. The finding: family and friends supported $317 billion of property purchases across the country in 2018, spanning 1.2 million homes, with an average contribution of about $39,000 and roughly $47 billion given or lent. Twenty percent of U.S. homeowners reported having received family help with their current home. As a standalone institution, BOMAD would have ranked as the seventh-largest mortgage lender in the United States.[3]

That study has not been systematically repeated. No U.S. regulator collects the data. It appears in no call report, no HMDA filing, no consumer credit panel. Estimates of annual U.S. intra-family lending in the range of $200 to $400 billion are exactly that: estimates, assembled from survey fragments.

The absence is itself the argument. A flow of this size that no regulator measures, no bureau scores, and no ledger records is not a market. It is a shadow.

Part III: Where it is today

3.1 Prevalence

The 2025 to 2026 survey record is unusually consistent across independent sources, which is rare and worth noting:

FINDING	SOURCE
50% of parents of adult children provide regular financial support, averaging $1,474/month	Savings.com, 2025[18]

FINDING	SOURCE
59% of parents have helped or plan to help a child buy a home	Veterans United, 2026[6]
74% of parents would consider or are planning to support a child's home purchase	Northwestern Mutual, 2026[19]
~20.7% of Gen Z and millennial homeowners used a family cash gift for their down payment	Redfin, 2025[5]
22% of first-time buyers used a gift or loan from relatives or friends	NAR, 2025[4]
75% of adults 45+ financially support at least one adult child, averaging ~$7,000/year	AARP/NORC, 2025[44]
Roughly 1 in 3 adults aged 18 to 34 live in a parent's home	U.S. Census Bureau[45]

The dispersion between these figures is mostly a definitional artifact. "Help with a down payment," "regular financial support," and "any financial help in the past year" measure different things. The direction is not in dispute. Roughly half to three-quarters of American parents with adult children are moving money to them, and the share has risen for four consecutive years of measurement.[18]

3.2 Composition: what it funds

The Savings.com series finds support concentrated in recurring living costs, led by groceries (83% of supporting parents), mobile phone bills (65%), and vacations (46%), with housing costs the largest single line by dollar value.[18] Support for Gen Z children averages $1,813 per month, higher than for millennial children.[18]

For home purchases specifically, Veterans United found the most common forms are a down payment contribution (33%), a cash gift (30%), help with closing costs (27%), allowing the child to live at home to save (27%), and covering furnishings or improvements (25%).[6]

The distribution of amounts skews larger than the cultural image of "help with the deposit." Most contributing parents expect to give between $25,000 and $49,999; 23% expect $50,000 to $99,999; another 12% expect $100,000 to $199,999.[19]

3.3 Composition: gift, loan, or something unnamed

This is the most consequential and least examined statistic in the field.

Veterans United found that among parents helping with a home purchase, 57% characterize the assistance as a gift, 20% as a loan, and 23% as a combination of both.[6] LendingTree, surveying recipients rather than givers, found 48% received it as a gift, 28% as a loan, and 25% called it a combination.[20]

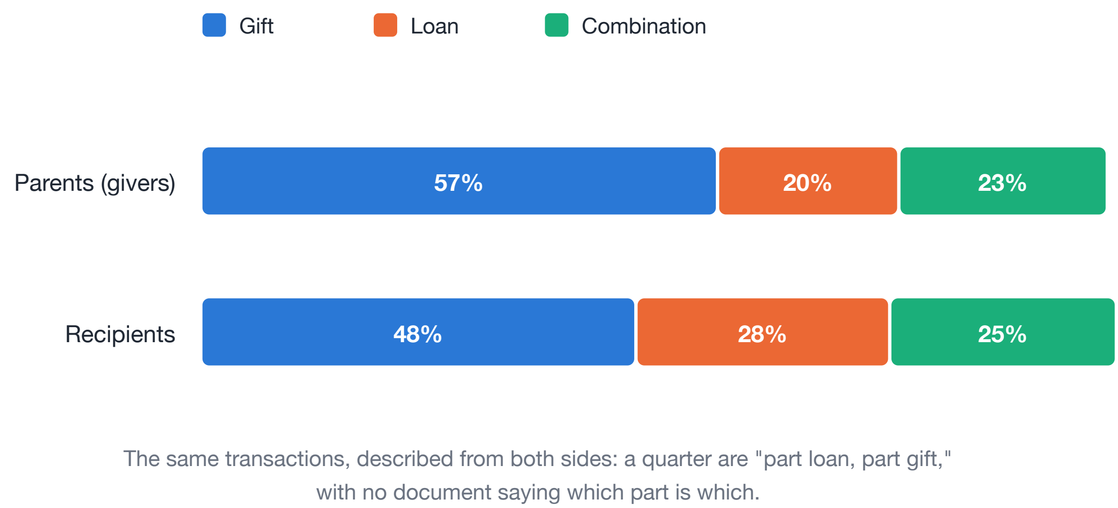

Figure 4. Nobody agrees what the transfer was. Parents and recipients describe the same transactions differently, and roughly a quarter sit in an undocumented "combination" bucket. Sources: Veterans United 2026; LendingTree 2026.

That "combination" bucket, roughly a quarter of all transfers and consistent from both sides of the transaction, is where the failure modes live. A transfer that is partly a loan and partly a gift, with no document specifying which part is which, is not a hybrid instrument. It is an unresolved disagreement with a delay fuse. It will be resolved eventually: at a refinance, at a divorce, at a sibling conflict, or in probate.

It is also worth noting the asymmetry between the giver and recipient surveys. Givers are more likely to describe the transfer as a gift than recipients are. Two populations, describing the same transactions, do not agree on what they were.

3.4 The dependency threshold

LendingTree's 2026 survey found that among Gen Z homeowners who received down payment help, 33% say they could not have purchased without it.[20] That figure converts BOMAD from an accelerant into a gate. For a third of the youngest cohort of homeowners, family capital was not an advantage. It was the condition of entry.

Part IV: Why now, and what is actually driving it

Nothing in the survey data above is explained by preference or by generational character. Three structural forces account for it.

4.1 Wealth has concentrated in the generations at the top of the age curve

Federal Reserve Distributional Financial Accounts data for Q1 2026 places roughly 52% of total U.S. household net worth with Baby Boomers, about 26% with Gen X, and roughly 11% with everyone born in 1981 or later, a category the Fed uses that includes both millennials and Gen Z.[7]

That comparison invites a common error, so it is worth stating the correction plainly. Cohorts at different points in the lifecycle should not be compared directly. A 68-year-old holding more than a 32-year-old is not evidence of anything. The like-for-like measure holds age constant, and it tells a sharper story. Households headed by someone under 40 held 6.6% of national net worth in Q1 2026, down from 12.0% in 1989.[7] Same age band, thirty-seven years apart, roughly half the share.

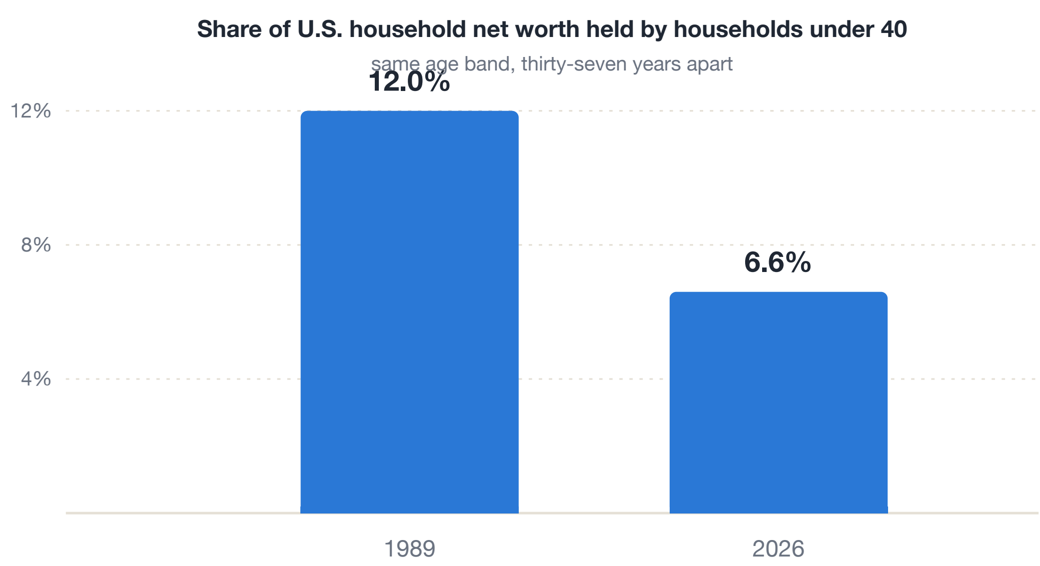

Figure 2. Same age, half the share. Households headed by someone under 40 held 12.0% of U.S. net worth in 1989 and 6.6% in Q1 2026. Source: Federal Reserve Distributional Financial Accounts.

Layered on top is the Cerulli projection of $124 trillion transferring through 2048: $105 trillion to heirs and $18 trillion to charity, with roughly $100 trillion (81%) originating from Baby Boomers and older generations.[21] Notably, more than half of that total volume, $62 trillion, is expected to come from high-net-worth and ultra-high-net-worth households, which represent just 2% of all households.[21] Cerulli's prior 2021 estimate was approximately $84 trillion. The upward revision was driven by inflation, asset appreciation, and increased wealth concentration.[22]

4.2 The milestones got dramatically more expensive

Housing. Pew's analysis found that between 2019 and 2024, inflation-adjusted U.S. home values rose 30% while incomes for households headed by adults under 40 rose 9%.[8] The share of under-40 renter households with sufficient income to afford the monthly cost of homeownership fell from 56% in 2019 to 37% in 2024.[8] The Harvard Joint Center for Housing Studies recorded the national median sale-price-to-median-income ratio at 5.6 in 2022, the highest on record dating to the early 1970s.[23]

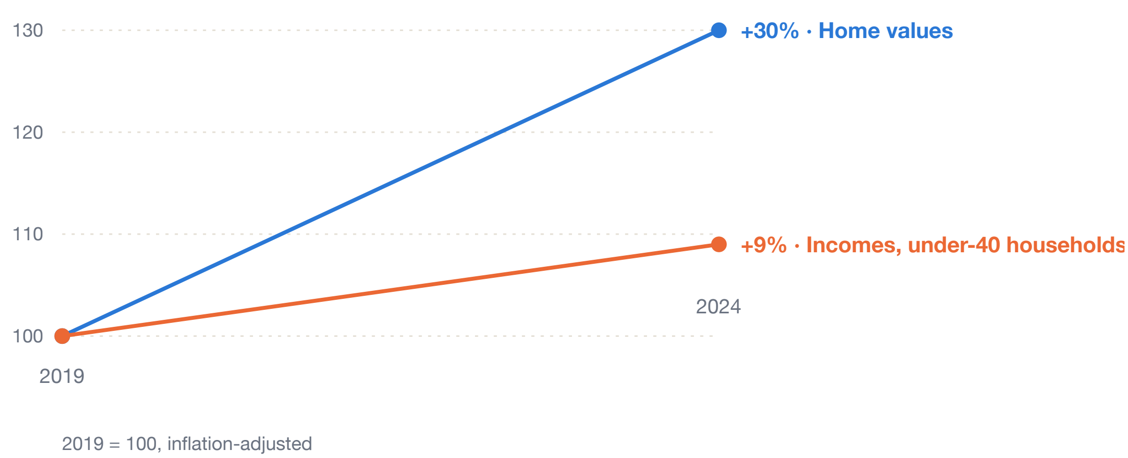

Figure 3. The milestone outran the paycheck. Inflation-adjusted home values rose 30% from 2019 to 2024; incomes for under-40 households rose 9%. Source: Pew Research Center.

The cash-to-close barrier. In a 2024 Federal Reserve survey, 70% of renters under 40 cited inability to afford a down payment as their reason for renting, a larger factor than the monthly payment itself.[8] This distinction matters enormously for the BOMAD thesis. The binding constraint for most young households is not monthly affordability. It is a lump sum. Lump sums are precisely what an older generation's balance sheet holds and a younger generation's cash flow cannot produce.

Rates. The 30-year fixed mortgage averaged 6.69% as of August 6, 2026.[24] Against an August 2026 long-term Applicable Federal Rate of 4.92%, the spread between a commercial mortgage and a fully compliant intra-family loan exceeds 175 basis points.[25] On a $400,000 30-year loan, that spread is worth roughly $120 per month, or on the order of $40,000 and up over the life of the loan. That is interest which stays inside the family rather than leaving it.

Everything else. Total outstanding U.S. student loan debt sits near $1.8 trillion.[26] Roughly half of renter households spend more than 30% of income on housing.[27] Childcare costs have risen sharply enough that infant care now exceeds in-state public college tuition in much of the country.[28]

4.3 The thirty-year mismatch

Combine the two and the structure of the problem becomes clear. The expensive part of a life (education, family formation, first home, business formation, childcare) occurs roughly between ages 22 and 45. Peak household net worth occurs roughly between ages 60 and 75.

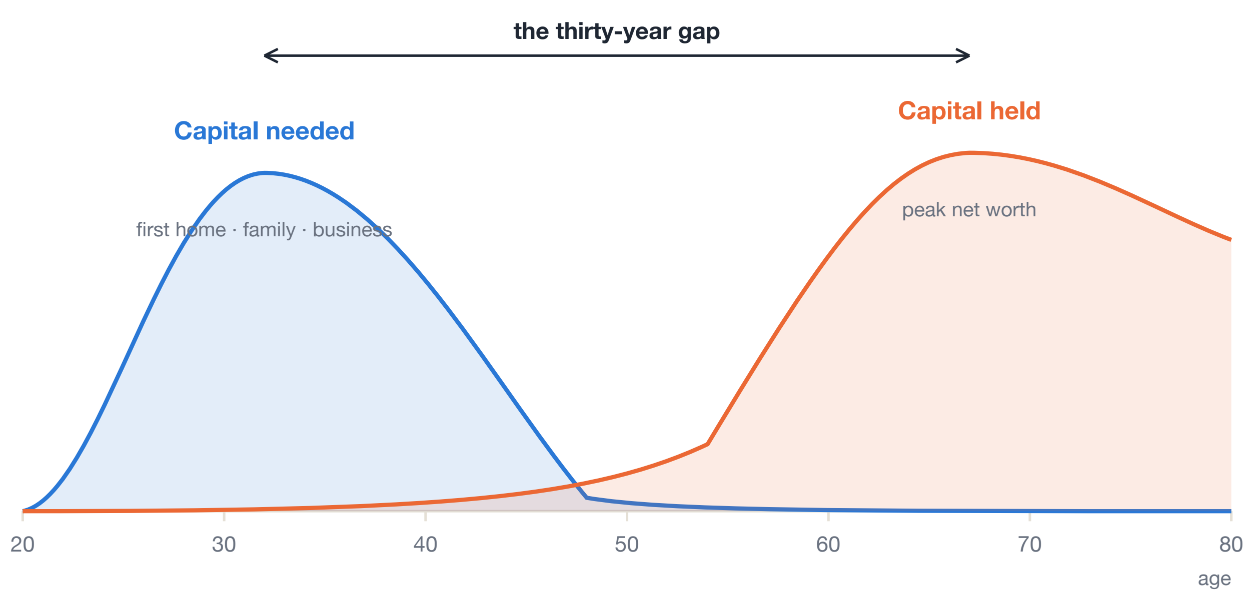

Figure 1. The thirty-year gap. The expensive years of a life run roughly 22 to 45; peak net worth arrives 60 to 75. Conceptual diagram; every multigenerational family holds both curves at once.

That is a gap of about thirty years between when capital is needed and when it is held. Every family containing a 35-year-old and a 65-year-old holds both ends of that gap simultaneously. Intra-family lending is the mechanism for moving capital across those thirty years without it leaving the household.

The great wealth transfer, as currently structured, does not solve this. It resolves the gap at death, decades after the need. Most inheritances arrive between ages 46 and 65, by which point the recipient's major wealth-building years are already underway.[29] Capital that arrives at 55 to solve a problem that occurred at 32 has been idle for twenty-three years.

Part V: Implications for families

5.1 The informality tax

The argument of this paper is not that families should lend less. It is that families should lend better. Every documented failure mode of BOMAD traces to a single root cause: a real loan treated as if it were not one.

The record. Roughly half of family lenders never put the agreement in writing, and roughly half never set a repayment timeline.[9] Years later, nobody agrees whether the transfer was a loan, an advance against inheritance, or a gift.

The repayment. More than half of family lenders report having to ask more than once to be repaid.[9] FinanceBuzz found that while 60% of lenders expected full repayment, only about 53% received it, and the share who believe they will never be repaid rose from 8% at origination to 17% afterward.[10] Every month a payment is not made, someone has to raise it, and the ask gets heavier.

The relationship. Roughly a quarter of family lenders report the loan damaged the relationship, including 3% who say it ended it.[10] Bankrate found 46% of those who lent cash to a friend or family member experienced a negative outcome.[30] These are not marginal rates. They are the base rate for an undocumented instrument.

The tax. A transfer intended as a loan but undocumented can be recharacterized as a gift. A loan documented but priced below the Applicable Federal Rate triggers imputed interest under IRC §7872: the lender recognizes phantom interest income, and the foregone interest is treated as a gift to the borrower, which counts against the annual exclusion.[11] Charging zero interest does not avoid tax consequences. It creates them.

The estate. An unrecorded balance surfaces at probate, between siblings, at the moment least suited to resolving it. Where one child received a large undocumented transfer and another did not, the estate has to relitigate a decade of family history using no records.

The affordability. Nobody checked whether the borrower could actually carry the repayment, because checking felt like an accusation. This is the failure mode with the least discussion and arguably the most damage. A commercial lender declines a loan a borrower cannot service, and nobody's Thanksgiving is affected. A parent cannot decline without it meaning something.

5.2 The cost to the lending generation

BOMAD is funded from somewhere, and increasingly that somewhere is retirement.

Savings.com found that parents still in the workforce contribute 2.3 times more to their adult children's lifestyle ($1,589 per month on average) than to their own retirement savings ($673 per month).[18] More than 60% reported having sacrificed their own financial security for their children's.[18]

Ameriprise found that 36% of parents worry that supporting adult children could jeopardize their retirement plans.[31] Allianz found that 59% of the "sandwich generation," those simultaneously supporting children and aging parents, have reduced or stopped retirement contributions, and 75% report difficulty balancing competing financial obligations.[32]

Care.com's 2026 research adds a timing dimension. The average onset of dual caregiving responsibility is now age 34, roughly a decade earlier than the previous generation, landing squarely in the years when retirement contributions compound longest.[33]

The relevant point for structuring is this. An undocumented transfer with no repayment is a permanent reduction in the lender's retirement balance sheet. A documented loan at AFR that is actually repaid is a temporary reallocation that earns a return. Same act of generosity. Very different consequences for the person performing it.

5.3 What a properly structured family loan looks like

The compliance requirements are not onerous. They are simply unfamiliar.

- **A written promissory note** specifying principal, rate, term, and payment schedule.
- **A stated rate at or above the applicable AFR** for the loan's term at origination. For August 2026 (annual compounding): short-term 4.10% (loans of 3 years or less), mid-term 4.35% (over 3 and up to 9 years), long-term 4.92% (over 9 years).[25] For a term loan, the rate locks at origination for the life of the loan, which is a meaningful planning advantage.
- **Actual payments, actually made,** on the stated schedule. A note with no payment history invites recharacterization.
- **Gift-tax tracking.** The 2026 annual exclusion is $19,000 per recipient ($38,000 for a married couple splitting gifts). The lifetime gift and estate tax exemption stands at $15 million per individual in 2026 following OBBBA, with excess taxed at 40%.[43]
- **Awareness of the de minimis rules.** Loans of $10,000 or less between individuals are generally excepted from §7872's imputed-interest treatment, and gift loans of $100,000 or less have a limited exception tied to the borrower's net investment income.[11]

Almost none of this is done by the families making these transfers. The barrier is not cost. A promissory note is inexpensive. The barrier is that no one in the transaction thinks of it as a transaction until something goes wrong.

Part VI: Implications for advisors

6.1 The retention problem is a relationship problem

The wealth management industry has internalized the great wealth transfer as an asset-gathering opportunity. The data suggests it is closer to an attrition event.

Cerulli's 2025 research found that only 27% of investors expecting an inheritance plan to keep their benefactor's advisor. Among those who have already inherited, that falls to 20%.[12] A separate Cerulli survey conducted for Edward Jones found 56% of investors unlikely or unsure about continuing with a parent's advisor, rising to 57% among Gen X, the primary near-term recipients.[34]

Critically, the reasons are not performance. Half of departing heirs already had their own advisor; 28% cited having no relationship with the benefactor's advisor. Only 14% did not want an advisor at all, and only 10% cited unmet investment needs.[12] The advisor is not being fired for doing a bad job. The advisor is being treated as a stranger who managed someone else's money.

Compounding this, benefactors themselves are largely indifferent. Just over a quarter said they wished their heirs would keep their advisor, while more than half were unsure or considered it the heir's decision.[12]

6.2 Intra-family lending is the natural introduction

The structural difficulty for advisors is that there are very few legitimate, client-initiated occasions to be in a room with the next generation. Estate planning conversations happen with the parent. Beneficiary designations happen on a form. The heir typically meets the advisor at the worst possible moment: during administration of the estate, in grief, with a decision already half made.

An intra-family loan is different. It is a transaction with two family members on opposite sides, both of whom need something from the advisor:

- The **lender** needs to understand the effect on retirement cash flow, the gift-tax treatment, the estate implications, and whether the loan is affordable to *them*.
- The **borrower** needs the note structured, the rate set correctly, the repayment scheduled, and, often, a neutral read on whether they can carry it.

It is one of the only wealth-planning events that structurally requires both generations to be present and gives the advisor a reason to be useful to the younger one, years before any inheritance.

6.3 The technique exists; the delivery does not

Intra-family lending is not novel to sophisticated practice. It is a well-established estate planning technique, sometimes marketed as "family banking," in which bona fide loans at or above the AFR transfer future appreciation outside the taxable estate while keeping interest inside the family.[35] At the ultra-high-net-worth level it is frequently operationalized through a dynasty trust that makes loans to family members under a governance framework.[36]

The relevant observation is about the delivery threshold, not the technique. Structuring a family loan through counsel, documenting it, and administering it across a multi-year term has traditionally required enough scale to justify the professional fees. A family lending $60,000 to a child for a down payment gets the same tax code and none of the infrastructure.

That leaves most advisory firms in an awkward position. They have clients doing this constantly, at sizes below the threshold where the firm's existing apparatus can serve them, using instruments the firm knows how to construct but cannot economically deliver. The result is that the advisor learns about the transfer after it has happened, unstructured, and is asked to clean it up.

6.4 Practice-level implications

Three consequences follow for an advisory firm.

Held-away visibility. Capital leaving a managed account to fund an undocumented family transfer is an outflow the firm sees but cannot influence, followed by a return profile of zero. Structuring the same transfer as a documented, repaid note keeps it inside the plan.

Suitability and cash-flow integrity. A client funding a child's home purchase from a portfolio without a repayment structure has materially changed their own retirement plan, often without the plan being updated to reflect it. Ameriprise found 78% of parents working with a financial professional said the professional helped guide decisions relating to their adult children, an indicator that the conversation is already happening whether or not the firm has an instrument for it.[31]

Next-generation relationship capture. Every structured loan is a documented, ongoing service relationship with a family member who is not yet a client, running for the length of the loan term. That is precisely the window the retention research identifies as decisive: the years while the original client is living and the relationship is active.[13]

Part VII: Implications for the generational wealth gap

This section requires more care than the rest of the paper, because the honest answer is uncomfortable for anyone building in this space.

7.1 Family capital compounds across generations

The evidence that family capital transmits homeownership across generations is strong. Urban Institute research using Panel Study of Income Dynamics data found that children of homeowners are 7 to 8 percentage points more likely to be homeowners than children of renters, holding other factors equal, and that increases in parental wealth raise the likelihood further.[37]

San Francisco Fed research identified a specific mechanism it calls dynastic home equity. Homeowner parents extract equity from their own homes to help children purchase, and children of equity-extracting homeowner parents accumulate roughly one-third more housing wealth by age 30 than children of renters.[38] The same research found the importance of dynastic home equity *increases* with the local cost of housing, meaning the mechanism strengthens precisely where affordability is worst.

Inheritance itself is also highly concentrated. Average figures obscure how few households receive anything at all, and how much larger the amounts are among those that do.[29]

7.2 The counter-evidence, stated fairly

The literature does not support a simple story in which the transfer is the whole mechanism. NBER research on the intergenerational transmission of housing wealth found that earnings and educational attainment explain only 20% to 30% of the transmission of parental wealth gains, and argued that a large share of what passes between generations runs through household environment and parental financial behaviors absorbed in childhood rather than through direct capital transfer.[39]

That finding cuts against overstating the check. It also cuts against understating the problem, since behaviors and environment are considerably harder to address than a liquidity gap.

Both can hold at once. Direct transfers may explain less of aggregate wealth persistence than commonly assumed, while still being decisive at the individual household margin, which is the difference between a specific 34-year-old buying and not buying.

7.3 What structure does and does not fix

Structuring intra-family lending does not redistribute anything. A family without capital still has none. Better infrastructure for family lending is not a housing policy, and it should not be marketed as one.

What structure changes is the efficiency and durability of transfers that are already occurring:

- It converts one-way depletion into recoverable capital. A gift is spent once. A repaid loan can be redeployed to a second child, a second purchase, or the lender's own retirement.
- It keeps interest inside the household rather than routing it to an institution, worth more than 175 basis points at current rates, compounded across a family's lending life.
- It makes the transfer visible to the estate plan rather than surfacing it at probate.
- It creates a repayment record where none existed, which is the raw material of independent credit standing.

That last item is the one with genuine mobility implications. A young adult who successfully services a documented family loan has generated exactly the behavioral evidence that formal credit markets price. Today that evidence evaporates, because no one records it.

Part VIII: Where it goes, 2026 to 2050

8.1 The transfer will arrive later than the need

Cerulli projects millennials will inherit the most of any generation over the coming twenty-five years, approximately $46 trillion, but Gen X will receive the larger share over the next ten years, roughly $14 trillion to millennials' $8 trillion.[21] A substantial portion of all transfers moves horizontally first: $54 trillion is projected to pass between spouses, including nearly $40 trillion to widowed women in the Boomer and older cohorts, before eventually reaching heirs.[21]

The practical implication is a widening lag. Millennials' share arrives largely in the 2040s, at which point the median millennial is in their fifties.[40] Capital arriving at 55 cannot serve the function of capital available at 32.

8.2 Longevity and long-term care will consume more of it than projected

Wealth-transfer projections assume assets survive to be transferred. Increasingly, they do not. The CareScout 2025 Cost of Care Survey put the national median cost of assisted living at $74,400 per year, a 44% increase over roughly five years.[41] Fidelity's estimate for a 65-year-old couple's retirement healthcare costs, excluding long-term care, is approximately $330,000.[42]

Longer lifespans mean longer drawdowns. The observed pattern of net wealth at death rises through the eighties and then falls in the nineties as care costs accumulate.[29] Every additional year of longevity is simultaneously good news and a reduction in the terminal transfer.

This produces a specific structural conclusion. The more expensive and less predictable the end of life becomes, the more attractive it becomes to move capital *while living*, as a recoverable loan rather than an irrevocable gift, because a loan preserves the lender's claim on the asset if care costs materialize.

8.3 The shift from bequest to inter vivos

Three forces push in the same direction:

1. **Need timing.** Children require capital in their thirties, not their fifties.
2. **Donor preference.** Giving while living lets the donor observe the outcome. Northwestern Mutual found 29% of parents planning to help with a home purchase consider it more important than helping pay for college, which reorders the traditional support sequence.[19]
3. **Exemption uncertainty.** The $15 million lifetime exemption established for 2026 is a legislative artifact, and legislative artifacts change.[43] Families with taxable estates have an incentive to move value earlier.

The instrument best suited to all three is not a gift. It is a documented loan at AFR, which moves capital now, transfers future appreciation above the AFR hurdle outside the estate, retains the lender's claim, and preserves the annual exclusion for other purposes.

8.4 The infrastructure question

Everything above describes a growing flow of capital moving through an unstructured channel. Four things are missing, and none of them are financial innovations.

Underwriting. A way to establish, before money moves, whether the repayment fits the borrower's actual cash flow, performed by a neutral third party rather than by a parent who has to keep having dinner with the borrower. Open banking data makes this technically routine.

Rails. Scheduled, automatic repayment. Every other loan in an adult's life debits automatically. Family loans are the only category where a human being must remember, initiate, and emotionally absorb each payment.

The ledger. A durable record of terms, rate, balance, payment history, and tax treatment, visible to both parties and to their advisor, and current at the moment it is needed rather than reconstructed from memory during probate.

Distribution. The technique reaching the households that use it. Today, structured intra-family lending is delivered through estate counsel to families with enough assets to justify the fee. The families making $40,000 down-payment loans are not in that channel. Registered investment advisors are. They already hold the lending-side relationship, already have the fiduciary obligation, and already have the conversation.

8.5 What it becomes

The Bank of Mom & Dad has been operating for seven centuries without a charter, a branch network, a regulator, a rating, or a ledger. It holds the two inputs an institution cannot manufacture: trust, which is the strongest underwriting signal that exists and cannot be originated by a stranger; and capital, which is already sitting in the household, frequently earning very little, and in most cases already earmarked for the next generation.

What it has never had is the three components that are, at this point, straightforwardly buildable. Underwriting is a data problem. Rails are a payments problem. The ledger is a database.

The consequence of building them is not a new institution. It is the existing one, finally instrumented. The result is that interest which would have leaked to a third party stays inside the family, the transfer that was going to happen anyway happens deliberately and on the record, and wealth compounds across generations rather than being extracted at each handoff.

Appendix A: Structuring checklist

ELEMENT	REQUIREMENT	2026 REFERENCE
Written note	Principal, rate, term, payment schedule, default terms	n/a
Interest rate	At or above AFR for the term at origination	Short-term 4.10%, mid-term 4.35%, long-term 4.92% (Aug 2026, annual compounding)[25]

ELEMENT	REQUIREMENT	2026 REFERENCE
Term classification	3 yrs or less = short-term; over 3 to 9 yrs = mid-term; over 9 yrs = long-term	IRC §1274(d)
Rate lock	Term loans lock the AFR at origination for the full term; demand loans float	IRC §7872(f)(2)
Payments	Actual payments on the stated schedule, with records	n/a
Annual gift exclusion	$19,000 per recipient; $38,000 for a married couple splitting gifts	2026[43]
Lifetime exemption	$15,000,000 per individual; 40% rate above	2026, per OBBBA[43]
De minimis	Loans of $10,000 or less generally excepted; gift loans of $100,000 or less have a limited exception tied to borrower net investment income	IRC §7872[11]
Reporting	Form 709 required for gifts above the annual exclusion, including imputed gift interest	n/a
Mortgage interaction	Lenders require a gift letter for gifted funds; loan-characterized funds affect DTI	[46]

This appendix is a summary for general reference. It is not tax or legal advice, and it does not address state-level treatment. Families should confirm structure with qualified tax counsel.

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