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How to Help Your Kid Buy Their First Home

Young homebuyers are getting locked out of the market due to high home prices and mortgage rates — but parents are stepping in to offer support

By Beth Braverman, AARP

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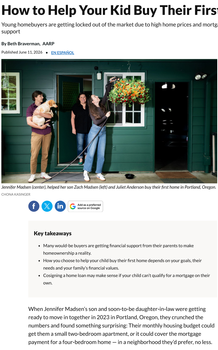

Jennifer Madsen (center), helped her son Zach Madsen (left) and Juliet Anderson buy their first home in Portland, Oregon.
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Key takeaways

- Many would-be buyers are getting financial support from their parents to make homeownership a reality.
- Have you chosen to help your child buy their first home depends on your goals, their needs and your family's financial values.
- Cosigning a home loan may make sense if your child can't qualify for a mortgage on their own.

When Jennifer Madsen's son and soon-to-be daughter-in-law were getting ready to move in together in 2023 in Portland, Oregon, they crunched the numbers and found something surprising: Their monthly housing budget could get them a small two-bedroom apartment, or it could cover the mortgage payment for a four-bedroom home — in a neighborhood they'd prefer, no less.

Buying looked more appealing, especially after they'd found a house for sale only 15 minutes from Madsen's. But the young couple lacked the funds for a down payment.

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Madsen decided to help by providing them with a portion of the down payment and extra money to renovate the 1960s-vintage home. "My thought was that this is money that, when it's my time and I go, he's going to inherit," says the 54-year-old nurse. "So, why not give it to them at a time when it can really make a difference, as they're starting out? I'm lucky enough not to have needed it for my retirement."

Between rising home prices and elevated mortgage rates, many young adults are receiving support from their parents to make home buying a reality. According to a November 2025 Redfin survey, 1 in 5 millennials who had recently purchased a home received a cash gift from family to help with their down payment.

In 2025, the median down payment among all U.S. homebuyers was 19 percent, according to the National Association of Realtors (NAR). For a median-price home — $417,700 in April 2026 — that equates to a down payment of $79,363. In today's economy, many aspiring homebuyers don't have that kind of cash saved up, which might help explain why the median age of first-time homebuyers in the U.S. was 40 years old in 2025, an all-time high, according to NAR data.

"It's hard for first-time buyers to get a foothold in the market, compared to buyers who are coming with equity from a previous home or who have savings that they can put toward that down payment," says Daryl Fairweather, Redfin's chief economist.

If you're thinking about helping your child purchase their first home, financial professionals offer these tips.

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The family enjoys a game of dominoes in the dining room.
CHONA KASINGER

Prioritize your own financial security

Tara Popernik, executive vice president and head of wealth planning at LPL Financial in New York City, recommends stress-testing your retirement plan, with the help of a financial adviser, before committing to help your child purchase a home.

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"Your kids can borrow for a home, but you really cannot borrow for retirement," she says. "And it's more than just lifestyle. You must factor in a lot of the unknowns around inflation, longevity, long-term care or poor capital market returns in the future that could impact your ability to spend in retirement."

If providing financial support could jeopardize your ability to fund your retirement, consider non-monetary ways to help. For example, you might invite your child to live with you while they save for a down payment or give them household items like your old furniture to reduce their move-in costs after they buy.

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Determine how you're going to help

How you choose to assist your child with a home purchase depends not just on their needs but also on your goals and your family's financial values.

"Some parents may help by gifting but only match what the child has saved," says Regina McCann Hess, a certified financial planner with Forge Wealth Management in Malvern, Pennsylvania. "Others may loan the money instead. The answer is different for each family. It goes back to what is important to them."

Here are three common options to consider:

Make a cash contribution. Providing money for the down payment or closing costs as a gift is often how parents offer financial support to adult children buying a home.

"Lenders don't look askance at that at all," says Keith Gumbinger, vice president at mortgage research firm HSH.com. "All it requires is a letter that says, 'This is a gift and not a loan that needs to be repaid.'"

In 2026, you can give up to $19,000 to an individual ($38,000 for married couples filing jointly) without owing taxes. For larger gifts, you'll have to file a gift tax return (Form 709), and the amount will count against your lifetime exclusion, which is currently $15 million for single filers and $30 million for couples filing jointly.

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Provide a loan. Prefer to lend your kid money? Consider an interfamily loan, a formal financial arrangement for lending money to a relative — often to purchase real estate, pay off debt or fund a business — at a lower interest rate than commercial lenders charge. Current IRS-mandated rates for interfamily loans are 4.9 percent, significantly lower than the low-to-mid 6 percent mortgage lenders are offering right now for 30-year loans. Still, you'll have to pay taxes on the interest you receive.

If you go this route, it's important to take your role as a lender seriously. Financial advisers recommend creating a formal contract with an amortization schedule that specifies the monthly payment. You could have an attorney draft a loan agreement or create your own using an online legal service such as LawDepot, Nolo or Rocket Lawyer.

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Cosign their mortgage. Cosigning a home loan may make sense if your child can't qualify for a mortgage on their own, but don't overlook the risk to your finances. As a cosigner, you'll be on the hook for your child's mortgage payments if they fall behind. Also, if you're a coborrower, missed payments can go on your credit report and hurt your credit score.

Cosigning a mortgage also raises your debt-to-income ratio — how much money you've borrowed across all loans and lines of credit relative to how much you make. That could affect your ability to get approved for a loan if you're planning to borrow money to, say, purchase a new car. A higher debt-to-income ratio can also affect the interest rate you'd qualify for.

Set expectations

Your financial well-being isn't the only thing at stake when giving or lending money to your kid or cosigning their mortgage — your relationship could sour if the arrangement doesn't go well. To head off future disagreements, be clear about the type of help you're offering.

"You're just making sure everyone is on the same page about what the money represents, what the plan looks like if circumstances change and that the parents' own financial security is solid," says Claudia Valladares, director of client relations at 11 Financial in Lufkin, Texas. "Families who take an hour to talk through the details up front tend to look back on it as time really well spent."

Beth Braverman is a contributing writer who has covered shopping and personal finance for more than a decade. Her work has appeared in Consumer Reports, ChiMoms.com, CNBC.com, and dozens of other outlets.

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