

# "Give 'Em An Allowance!"

By David McCurrach

*The Battle Cry For Kids' Money Management*

How do our kids *really* learn to manage money? Most don't until they're adults and then they learn primarily as a result of their own successes and failures.

There's usually no course at school, no helpful hints on TV and observing parents can be confusing at best. Typically, parent's money management skills are often either not what we'd like them to be or our finances are so complex that how we handle our money doesn't mean much to a child.

To make matters worse, kids today have more money to spend and develop financial styles at a younger age than ever. Before you know it, kids can develop bad habits that can last a lifetime.

In fact, most parents don't deal with their kids' money management problems until their children are adults. By then, these problems can be both costly and emotionally charged. Young children provide parents the best opportunity to encourage good financial habits and avoid problems that will develop latter in life if this area is neglected.

The only way kids will learn to manage their money is through their own experience and the guidance you, as parents, may give them. In other words, kids learn from trial and error and role models just like the rest of us. And if they can't learn as children, the price of adult mistakes can be great in terms of money and relationships.

## **What Do I Do?**

The first step, and the subject of this feature, is to **Give 'em an allowance!**

Here's why your kids need an allowance:

- Having a regular amount of their own income is the only way kids can learn to manage money.
- They need to be able to make mistakes when the cost is minimal.
- Knowing the limit of available funds forces kids:
  - To think about how much things costs, and
  - To make spending choices between the many things that they may want.
- They have more appreciation for the things they buy when they use their own money.

## **When Do I Start?**

Once your child shows both an interest in and an understanding of the concept of money - the fact that it can be exchanged for goods - they are ready to start learning the basics of

money management. For many kids, this may be as young as three or four. Their first allowance should be given at a minimum of once a week.

### **How much should I give?**

Some would say a dollar for each year of age. Others would suggest you match the amount their friends get. Neither approach is really much help.

When coming up with the amount, try this:

- *Determine how much money you already give them.* If your kids don't get allowances, you are managing their money for them by deciding what they will buy and what they will do. Their role is salesperson and manipulator. Let them learn to manage their own money. Stop doing all the work. Total up the amount you are giving them now. Give that to them as an allowance and let them make their own decisions. You'll save money and avoid some of life's major battles.
- *Make a list of what they are expected to pay for with their allowance.* Once you have the amount, sit down with your child and make a list of everything they are expected to pay for. This solves the conflicts that may come up in stores and as they walk out the door to go to the movies. The total required becomes their allowance. As their needs change, so can the amount. Be open to reviewing it when appropriate.

Keep in mind the fact that kids have three uses for their money - spending, saving and sharing. Consider all three areas when you are coming up with the amount. In addition to setting the allowance, this process puts an end to the constant requests to buy this and that and to give them money to do whatever their hearts desire.

### **Should I Tie Allowances To Chores?**

Do you believe your kids have a certain amount of responsibility around the house just because they are members of the family? If so, those responsibilities have nothing to do with allowances. In fact, if those responsibilities are not fulfilled, the loss of privileges would probably be more appropriate than the loss of allowances.

How can a child manage their money if they don't know how much they will be getting on a regular basis? On the other hand, if a child does not need their allowance that week, is it acceptable not to do the chores? And finally, do we want your children to ask "How much?" every time you ask them to do something around the house?

*Remember, the purpose of an allowance is to give your children the opportunity to learn how to manage money through their own successes and failures and the input of their parents.*