

Children and Family Finances – Kid’s Allowance

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Questions to ask yourself and your spouse before talking with your child about an allowance:

How will you decide how much to give? Will it be a percentage of your income, i.e. 1% of the family income? Or will you give a set dollar amount? Some parents give a dollar for every year, i.e. \$6 a month for a 6 year old child. Another way to decide on an allowance amount is to determine how much you already give your child by buying things for them and give them that for their allowance.

Should your child’s allowance be tied to chores or will the child receive it regardless? Will there be other jobs your child can do to earn extra money? Allowance should not be tied to chores. It is a way to teach children how to handle money. Some chores should be done without pay as they are members of the family. The consequences for not doing those chores, should not be to dock the allowance. If the child has done their family chores and wants to do extra and you need other things done (they should not be able to wash the car if it does not need washing), then putting a monetary value on the chore and not getting paid if it is not done correctly is okay.



What will the child be allowed to buy with the allowance? Will the child be free to buy what he or she wants, even if you do not agree? After discussing family values and what you do with the money you receive, you should allow your child to decide what they are going to do with their money. The discussion should include money they can spend, money they are saving, and donations.

Will you make advance payments? This is not a good idea. You want to teach the child to save up for larger items. If you do offer advances, think about charging interest so the child learns that borrowing money is not free. Once rules are set, discuss responsible saving techniques and other ways to earn extra money.

Tips for All Ages:

Be consistent. Set specific dates and pay the allowance on time.

Experts say allowances generally should not be tied to behavior even though it might seem reasonable to withhold allowance money if your child misbehaves.

Establish who gets how much. Older children should receive more than younger children because their needs are greater. Openly discuss your plan to the whole family and make adjustments accordingly.

Tips for Children under 5:

It's never too early to start! Research has shown that children as young as 3 are able to learn about money. With very young children maybe they get a dollar or so to spend on something they want at the grocery store.

When giving children an allowance, discuss the value of saving money.

Introduce the ideas of saving, spending and giving to charity to children and help them decide how much to put in each container. Use clear piggy banks or containers that they can see through. Children will quickly see how fast their money will accumulate over time.

Talk about money decisions and values.



School-Aged Children Allowance Tips:

Many banks offer free savings accounts for kids. Kids should save a portion of their allowance. Kids will learn that saving small amounts of money will create larger sums of money overtime.

Allow your child to help see a weekly budget of the family's expenses and then create a weekly budget for their allowance.

Offer extra chores as a way for kids to earn more money.

Raise allowance to allow to allow your children to cover more of their expenses as they get better at handling money.

Allowance Tips for Teenagers:

Don't throw money away! Give teenagers cash allowances. Prepaid debit cards usually are associated with high maintenance and over-the-limit fees.

Give teen's financial responsibility. Let teen's decide which expense(s) they would be responsible for paying. For example, their school lunch, weekly entertainment, or clothing budget.

Determine whether the allowance should be paid weekly, bi-weekly, or monthly. Don't forget to let your teen have some input in the decision making process.

Open a checking account and let the teen deposit their allowance into it. Help guide teens on using their checking account properly by being on their account as well. This will allow parents to also monitor their account.

Remember, initially, kids and teens will make mistakes when first given allowances. Most will spend all of their allowance right away but over time children will learn essential skills like math and budgeting.

This is one of a set of fact sheets for *Children and Family Finances*. You may also want to see the series *Planning for Baby*.

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Books for Further Reading:

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