

# MONEY AND YOUR KIDS

A NEWSLETTER FOR PARENTS

January

## Allowances

### Allowances

An allowance is a child's share of family income to be used as the child chooses on certain defined, agreed-upon expenditures. In one family, the child may pay for school lunches with allowance money. In another family, the child may be expected to pay for all clothing. Giving allowances is one way to help children gain experience in handling money and making decisions about how it should be spent. The important characteristic of an allowance is that it is a regular source of income. Children can count on receiving it and plan for using it.

### How Much Allowance?

Since an allowance is a fixed amount of money for spending during a given time period, several factors figure into how much of an allowance a child should receive.

Start by sitting down with your children and estimating their expenses. Set an allowance based on these estimates and give it on a weekly basis, if possible. Help your children keep a record of expenses during the next few weeks. Then sit down together again and decide if the allowance needs adjustment. This approach will teach your children to be comfortable about discussing money.

Be clear whether you will provide money for special items. Plan to review the allowance on a regular basis. Whatever amount you decide on, make sure there's room for discretionary spending. An allowance that doesn't

allow your children to make any decisions on their own is self-defeating.

Most child development and money management experts agree that tying allowances to chores is not a good idea. In most households, some tasks need to be done and all family members are expected to share them. Additional chores may be offered to the child as money-making opportunities.

Also, the practice of paying an allowance for good grades or good behavior has been questioned. Children may see the allowance as a bribe or punishment. Positive behavior can be reinforced in other ways. An expression of appreciation for a job well done often means more to children than a financial bonus.

### Parents Decide Methods

Only you as a parent or guardian can determine the best methods for sharing income with your children, but evidence indicates that children who get spending money without asking for it are more likely to develop a sense of the real value of money. Children seem to learn healthy attitudes about money when they have regular, realistic incomes and can use the money independently. This involves allowing children to make their own choices (when possible), record purchases, share and save for realistic goals. Once children make their choices, allow them to live with the consequences of those choices. In short, let your children make mistakes, accept responsibility for poor decisions and learn from the experience.

If you decide to encourage your child to learn to manage money, you need to consider what money means to you and what you want your child to learn. Provide money and occasions to spend it at an early age and increase those experiences as your youngster matures. Concentrate on the purpose of the spending and saving experiences.

In summary, remember that children need experience in making choices and accepting responsibility for their decisions. Managing an allowance is one way to gain this experience.

For more information, the following publication is available at your county office of the NDSU Extension Service:

FE-247, Money in Our Children's Hands

### NDSU Extension Service

Brought to you by the NDSU Extension Service and your local extension office.

See your extension agent for more money management information and other family economics programs.