

## Allowance: Tips on Giving Children Allowance

You are standing in the check out line at the grocery store dreading the nagging you are sure to get from the kids about buying another pack of gum. All the stuff at the check out line is a total temptation for the kids, and a total irritation for you. Sounds like it is time to start giving your children an allowance so they can start spending their own money.



It can be a difficult thing to start, there are so many questions about how to do it and how much to give.

Some parents even feel they can't afford to give their children an allowance every month but as **Sheila Walkington, CFP, Money Coach and CFO of Money Coaches Canada** says "giving your child an allowance is an opportunity to teach your child how to manage money from a very early age." She also says in the end an allowance will end up saving parents money by eliminating the constant asking and nagging for money by your kids. They will have their own money to spend and that will set the stage for your child's financial future.

But there are a few things to consider before you start dishing out the money. When to start? How much allowance will you give? When will you give it, once a week, every two weeks or one a month? How will you help your kids decide how to handle the money they have?

It is great to start children young when it comes to allowance, especially if your kids are asking you to buy things at the check out line. **Andrea Ramsay Speers**, psychotherapist and parenting coach ([www.homeimprovementforparents.com](http://www.homeimprovementforparents.com)) says you can start as early as three years old with a small amount of money, like a quarter. Teach them to put it in a safe place and then make them responsible for paying for something small, like a gum ball at the store. "At three, they might not understand the way money works and the value of a quarter in relation to a dollar, but they can enjoy the feeling of responsibility and independence that comes from making their own small purchases", says Speers.

Walkington says at about age five or six, as soon as kids can start to grasp money values, is the perfect time to start an allowance and help them learn about how to spend, save and share money.

One key to allowance is that it shouldn't be tied to chores. As money expert, television host and author **Gail Vaz-Oxlade**, <http://www.gailvazoxlade.com>, says no one pays you to do chores. "Chores are part of being in a family. The allowance is to help kids learn about money. Don't make the money into a power play" says Vaz-Oxlade. Speers agrees that allowance and chores should be separate. "I believe firmly that kids should participate in the running of the house by doing chores, and I believe they should get an allowance, I just don't think it's the best system to tie the two together on a direct correlation", says Speers.

### **Top 5 tips for giving Allowance**

1. **Determine Allowance Amount.** Vaz-Oxlade says you have to give kids enough money so they can actually work with it, incorporating the lessons you want to teach. "I suggest one dollar per year of age, so a 7-year-old would get \$7 a week. 10% or 70¢ goes to sharing. 5% goes to saving... that's a buck .05, leaving 5.95 for whatever the child is trying to accomplish. Let's say \$2 a week for mad money and the rest towards a planned purchase (planned spending)."
2. **Be Consistent.** Walkington says the money has to be given on a consistent basis. Parents need to have a regular schedule for the allowance and stick to it. It could be once a week, every two weeks on payday or once a month, whatever works for you as long as it consistent. If the allowance is not consistent it teaches children that they can't count on you or on their allowance to plan and save (our money beliefs are learned at a very early age and can set the stage for our financial future).
3. **Save, Spend, Give.** Walkington says when it comes to dividing the money into save, spend and give categories try to use piggy banks, jars, separate wallets, or bank accounts to physically allocate the money to each category. It will help children to see where the money is going and how much they have.
4. **Follow the Spending Rules.** Make sure you make your child pays for the things you agreed on and not beg you to buy them a Slurpee or toy with your money if they are supposed to pay for these types of things out of their allowance. Walkington says some kids hate to spend their own money, they would rather save their money and spend yours. So be strict and stick to the rules.
5. **Involve the Kids.** Talk about the money and keep the kids involved. Vaz-Oxlade says it becomes more important as children gets older. "When my daughter was about 10 she decided she wanted her money once a month. It was easier to plan. When she was 12 I upped her allowance to include money for clothing and later she negotiated a raise."

Family meetings are a great way to make sure everyone is on the same page and it gives everyone a forum to say what they need to say. Speers is a big believer in family meetings. “You can use your family meeting to discuss what the expectations are for everyone, but also, when your children are a bit older and would like an allowance increase, you can use the family meeting to discuss what the options or concerns might be and come to an agreement.” Walkington says parents shouldn’t be afraid to talk to children about money. She believes it is better to include children in the family decisions on how to spend money, rather than saying “We can’t afford that” or “No I am not buying that for you”.

There are lots of resources out there for parents. Vaz-Oxlade has a new ebook coming out this fall [www.gailvazoxlade.com](http://www.gailvazoxlade.com) it is called MoneySmart Kids. The purpose of giving children allowance is really to teach them how to deal with money, to learn to be financially responsible and just become more independent people when it comes to their finances. We all need to learn how to handle money.