

How and When to Give an Allowance to Your Child

Having an allowance can help teach your child about money. Allowance is the foundation of financial literacy for kids.



Studies show that nearly two-thirds of American families already give their kids allowance, and four out of five families link their child's cash to the completion of household chores. But are American kids getting any bang for the buck out of an allowance? It seems the stage has been set for teaching kids about money - now we just have to make allowance giving a purposeful family practice.

Teaching kids about money means they need to physically handle bills and coins, exchange their cash for items they buy and count the change.

Children need to learn through experience that once cash is spent, it is quite literally gone forever. They need to sort, count and differentiate the money in their banks and wallets.

Many young children inherently want to be helpful, and they gain confidence and competence by being held accountable for various tasks around the house, things like the laundry, setting the table, feeding the dog and bringing out the trash.

In short, children should help out when and where it's needed. Otherwise, when allowance is linked directly to specific and individualized chores, kids might decide at any given moment to forgo their jobs if they don't immediately need the money.

What amount of allowance should your kids earn each week? The simple answer: there is no simple answer. Any small amount of allowance gives children a powerful tool for spending, saving, and giving, all while the stakes are low and mishaps aren't too costly.

Each family, along with their child, should decide how they want to allocate the weekly funds to the SPEND, SAVE and GIVE containers. The clear containers allow children to see their money, which further incentivizes them to earn and save their weekly dollars. Allowing children to see their cash in these three simple silos sets the stage for financial literacy and a lifetime of good money habits.

Your child's SPEND money allows them to take control of their weekly "wants." Giving young children a few dollars to spend at their discretion each week offers them powerful ownership over their choices and teaches them to budget and manage money.

It is now essential that we teach our kids the power of delayed gratification as part of good money habits. This is where the SAVE money comes in. Children should put away a set amount of their allowance money every week, without fail, towards a long-term saving goal.

Just like spending responsibly and saving wisely, thoughtful giving takes practice. Encourage children to use their GIVE dollars for the frequent opportunities that seem to arise organically in their daily

lives. But allowing children ownership over these moments of giving lets them experience the joy that comes with a generosity of spirit.