



Money Matters for Kids — The Allowance: A Good Place to Start

A popular way for parents to begin teaching their children sound financial habits is with an allowance.

What is the Purpose of an Allowance?

The allowance should be a set amount of money given at regular intervals for work done around the house. Think of it as your child's paycheck. With a definite sum coming in regularly, children will learn to plan their spending and savings. The fact that they control their money and make decisions and mistakes will cause them to be more cautious and thoughtful about spending it. This helps their money go farther and is the beginning of sound money management.

How Much Should I Give?

Whether you give an allowance and how much allowance you give to your children is a personal preference and is based on your ability to pay allowance. As your children develop the ability to handle money and their needs increase, the allowance comes in handy to help them manage money.

In general, teach your children to SPEND without being wasteful, to SAVE without being stingy, and to SHARE what they have with others. Teach them to value money for what it can do — good and bad — and not as an item in itself. If you train your children in sound financial habits now, they will be much better prepared to solve the difficult challenges when they are adults.