

## Children's Allowances: When and How Much

### **When are children old enough?**

When children are old enough to tell the difference between coins and when they begin to ask for money of their own, that's the time to begin a regular allowance. Probably most children will be able to handle an allowance by age 5 or 6 but perhaps even earlier if they have older brothers and sisters already receiving allowances.

### **How much?**

Parents and children should decide together just what the allowance covers. The amount should cover their needs and include a little extra so that not every penny is spoken for before they get it. That little extra will be what they use to practice decision making. Do they spend it on this thing or that -- or do they save their allowance for something even bigger? If all of the allowance is spoken for, children have little opportunity to practice making choices.

The amount should be a fair share as it fits into the family's total spending pattern. Also consider what their friends receive as an allowance. An amount smaller or larger than what peers receive may cause problems for your child. However, what their friends receive should not be the deciding factor. Remember that the cost of living for children increases as they get older; renegotiate their allowance "contract" occasionally.

### **How should it be paid?**

At first, pay the allowance once or twice a week depending on the child's age and ability to deal with the concepts of both time and money. Always pay children on the same day. A regular income they can depend on encourages the development of realistic attitudes about money and personal finance in general.

It may be a good idea to choose an allowance day that falls a few days before most spending is likely to occur, such as on Monday if the new comic books come out on Wednesday, or on Thursday when you take them with you shopping. Then they'll have the experience of being faced with a variety of buying choices before the major ones come.

### **Allowance versus pay**

Don't pay for everyday chores or for good grades. Doing this encourages the attitude that everyone and everything has a price tag and that children should get paid for everything they do. Some things we do as part of our responsibility for being a family member.

### **Let Them Make Mistakes**

Give them full responsibility for their allowance. Let them make their own decisions--and their own mistakes. When we spend money as adults, we make choices and not all of our choices will be the right ones. Learning to live with the results of a poor choice in spending money is a valuable lesson, so let children make mistakes.

A parents' advice should be available at all times and may be required for some things. But remember the final decision is still the child's and avoid the temptation to say "I told you so" If it is not a wise one. Cutting the purse strings can be as hard as cutting the apron strings.

### **Keep A Simple Budget**

Help them develop a simple plan for their spending. Encourage children to think of money to spend, money to save, and money to share. But remember, if they are saving and sharing (church, for instance) as well as spending money, the amount of the allowance may need to be more than if the allowance is supposed to just cover expenses.

Any records kept should be simple and should be your child's idea. We all know we are more likely to keep records if they are simple and it's our idea to keep them. It's also easier to acquire the record-keeping habit while you are young and have less money to keep track of. Children will probably be ready to keep simple records of where money comes from and where it goes when they realize an allowance has a tendency to just slip away unless we do something to keep track of it and plan its use.

Request a copy of NebGuide "Teaching Your Children about Money" (G1787) from your University of Nebraska–Lincoln Extension office or visit the web at <http://www.ianrpubs.unl.edu/epublic/pages/publicationD.jsp?publicationId=890> for examples of records children can keep on their money and expenditures

#### Reference:

Manning, L. M., Mahar, C. J., Prochaska-Cue, K. M., (2007). Teaching Your Children about Money. *NebGuide*. University of Nebraska–Lincoln Extension Publication G1787.

This publication has been written and reviewed by UNL Extension Educators and /or Specialists.