



AT WHAT AGE SHOULD A CHILD START RECEIVING AN ALLOWANCE?

Introducing an allowance when a child is 5 or 6 years old is considered appropriate. It should coincide with when the child begins to ask for things that are discretionary, and the parent is trying to introduce the concept that resources are limited and choices need to be made as to what is most important.

HOW MUCH SHOULD THE ALLOWANCE BE?

The allowance should be based on the child's age and what is affordable to the family. Fifty cents to \$1.00 a week for every year of the child's age is appropriate. Thus:

- a 5-year-old's allowance would be between \$2.50 and \$5.00 weekly
- a 10-year old's allowance would be between \$5.00 and \$10.00 weekly

SHOULD ALLOWANCE BE TIED TO CHORES, BEHAVIOR, OR SCHOLASTIC ACHIEVEMENTS?

There is controversy on this subject.

Most parenting experts believe an allowance should be independent of chores, behavior, or scholastic achievements.

They reason that chores are a routine part of family responsibilities, and good behavior and scholastic achievements should be encouraged for their own sake, without connection to financial reward. Their concern is that if there is a connection between an allowance and behavior, it is easy for the allowance to become a disciplinary tool. They think an allowance should be given as a teaching tool so that at an early age, a child learns about choices, alternatives, and consequences.

Others feel the contrary, particularly parents who have trouble getting their children to complete their chores or maintain good behavior and grades. They believe that "work" is connected to money, so the child should get used to it.

Each family needs to decide their approach to Allowances. Below are some "best practices" from child psychologists which contradict each other. Finding the method that works for you and your family is key. It is also imperative that all children within the family be treated the same and the approach is consistent.

MODERATION

If a household is not sure if they want to give an allowance without conditions or connect it to behavior/chores, an option is to provide a smaller amount freely, but under the child's "wants" and encourage the child to work outside of the nuclear family where they will have the opportunity to have their performance reviewed and rewarded by someone other than the parent.



BEST PRACTICES – from those that work in child psychology. (Sources listed below)

1. TIE ALLOWANCE ACTIVITY INTO BUILDING SKILLS

Always tie an allowance to activities that either build upon a deficient skill set or reward a child's strengths. This reinforces the concept that as you become more valuable, you can command more money.

For example, an impatient child could get an allowance that helps teach patience, and an artistic child could be assigned the duty of designing and maintaining the family garden. An older child might be rewarded for getting certified as a lifeguard, learning how to type proficiently, or any skill that gives them entry into a paid position.

2. FOCUS ON THE REPETITIVE NATURE OF EARNING AN INCOME

Activity should not reinforce a "one and done" mentality toward work. Instead, foster a "what's next" mentality. Make earning an allowance a component of a continuous project, such as doing routine yard work or loads of laundry.

3. NEVER EQUATE AN ALLOWANCE WITH RECEIVING A GIFT

"An allowance should be interpreted by the child as a reward for his or her evolving work ethic in fulfilling a necessary family need." Gratuitous gifts are fine, but they should be separate from the core economic engine driving a child's personal spending desires. Gifts should be sporadic, while an allowance should be a continuous affirmation for consistent work."

4. ENCOURAGE THE CHILD TO TRACK FINANCES.

For younger children, it could be done by a simple pen-and-paper list of earnings and spending. For teenagers, encourage them to open a checking and savings account.

5. CONSIDER A MATCHING FUND APPROACH

"For ambitious parents, this age is the time to set 'stretch goals,' with additional matching funds deposited directly to the child's new checking account," "Many children who are this age, for example, mow lawns in the neighborhood or babysit for extra money. These are ideal activities to incentivize responsible money-making, and the parents can reinforce that by contributing matching dollars into the child's first checking account."



6. ENCOURAGE CREATING A RESERVE FOR FUTURE NEEDS

Teach the long game of money, and don't teach that money merely serves as a short-term gratification tool. Kids should learn, for instance, to save a portion of everything they earn or every gift they receive.

Some experts believe in a three-prong approach: Spend 1/3, Save & Invest 1/3, and Donate 1/3. Teaching this principle at an early age instills values.

MONEY PRACTICES BY AGE

AGES 3 TO 6: COMMUNICATE RUDIMENTARY BUDGETING

The core lesson to impart is that money is a finite resource that comes with tradeoffs. Tell your kids, "Spending money on A means you don't get B. So, which do you prefer?" This teaches children to discriminate between choices and to live within constraints."

AGES 7 TO 10: INTRODUCE WORK ETHOS

Now is the time to communicate with children that nothing in life is free. If you want A or B, you must earn money to acquire A or B. Working through tedious tasks is taught in school, but a child needs to associate that same work ethic with income-earning as well.

AGES 11 TO 14: ENCOURAGE OUTSIDE EARNING WHERE POSSIBLE.

Mowing lawns, babysitting, cleaning garages for neighbors, and so on are good examples of outside earning opportunities. This is the time to motivate children towards self-reliance.

AGES 15 TO 18: REWARD ACADEMIC EXCELLENCE AND PROMOTE AN AFTER-SCHOOL JOB

You can consider an allowance based on grades or other measures of impressive school performance. If you believe that cultivating a rudimentary work ethic is also critical at this age, then requiring a child to hold some sort of extracurricular job to supplement his or her income might be something to consider. Also, at this age, make sure you don't lavishly gift unearned cash to supplement a child's emerging lifestyle.

Removing a child's need to work because they are gifted everything they "want" robs them of the opportunity to accomplish a goal on their own.

SOURCES:

<https://newsroom.cnb.com/en/personal-finance/financial-literacy/allowance-strategies.html>

<https://www.scholastic.com/parents/family-life/financial-literacy/allowance-age-age.htm>