

rewarded with money, but because they are a family.”

“Give children a basic allowance that isn’t linked to chores but linked to spending responsibilities,” says Laurie. “This money is to teach them how to handle money,” she adds. However, Laurie also suggests giving children the opportunity to supplement their income by doing odd jobs.

Paying children for good grades isn’t a good idea either, according to Boelter. Parents shouldn’t bribe children or pay for performance, she says. “It undermines the kind of lessons we want to teach our kids and becomes manipulative.”

“Instead of children knowing how proud you are with extra things, words of encouragement, or special treats such as stickers or a later bedtime—anything but money,” says *Kiplinger’s* Bodnar. That way the virtue of doing homework or getting good grades becomes its own reward in the personal satisfaction that comes from doing a good job.

How do you get them to save?

Bodnar says some kids will save on their own; in fact some are little hoarders—it’s almost hard to get them to spend money. These children may want a share savings account and wonder how to make their money grow. “In this case, you should respond to your child’s lead and capitalize on what he naturally wants to do,” she says.

“Kids that don’t want to save will need extra encouragement,” Bodnar says. Require them to save a percentage of their allowance, but try to make saving fun. For example, have them save their money in a fun piggy bank—something simple so they can see their money grow. When they save enough, help

them make their own purchases so they see themselves being rewarded, she says.

Kids need to save for something specific, according to Bodnar. If they are young they should be saving for something very concrete—something they can realize in a short time. Start small. “Put them in charge of the single thing they most like to spend your money on, whether it’s comic books, video arcade games, or popcorn at the movies,” says Bodnar. Saving for short-term goals rewards them but also teaches them they don’t have to have everything right away.

For really young children, putting money in a savings account can mean out of sight, out of mind. However, as they get a bit older, explain how accounts work and how interest makes savings grow. Plus, at this point, they may have more money to put in the account.

“Another incentive is to match what they save,” says Bodnar. This can motivate kids, especially if they’re saving for something costly. It gives them an incentive to accumulate a certain balance, she adds.

Parents often want older teens to save for long-term goals—college, a new car, or a down payment on a first home—but don’t think they have the right to insist. Riley says parents have every right to insist on saving. “It’s the same as not allowing children to buy illegal items,” he says.

And, Riley says, parents should involve their children in family decision-making about finances such as purchasing a new vehicle or saving for a vacation. “If you’re setting money aside for a long-term goal such as buying a house or saving for retirement, involve your children. If money is doing well in the stock market, let your children know so they learn about the stock market—be open about finances.”

Should you dock their pay?

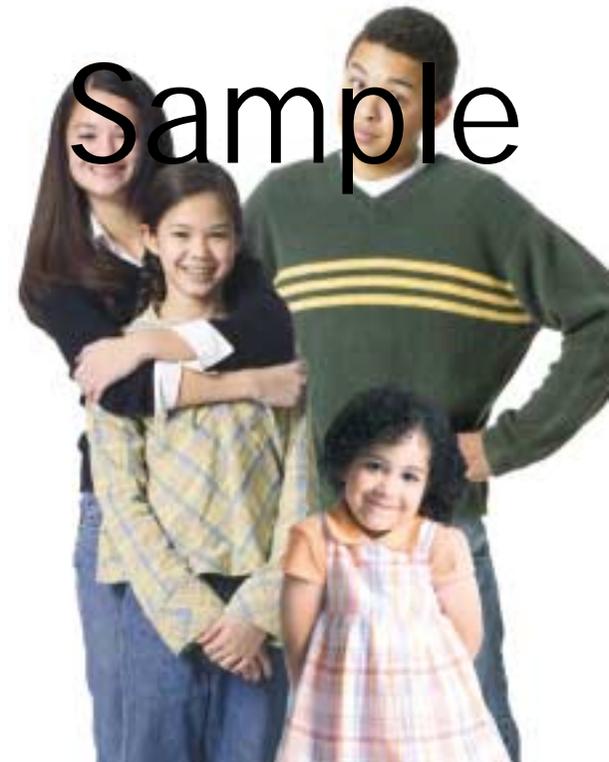
Docking an allowance as punishment isn’t good, Boelter says. Children should learn the consequences of their behavior or poor decisions in more appropriate ways. If you dock their allowance they’ll ask for more money anyway, she points out. When kids misbehave, it’s better to make the discipline fit the deed.

Parents should at least have a responsibility for basic living expenses. Beyond that, a child’s income from jobs and allowances needs to be negotiated and clearly understood between parents and children.

You are helping kids learn how to handle money and make informed decisions. “Allowance isn’t a one-size-fits-all issue and it’s something parents and children alike will need to work through,” says Boelter. “The important thing is communication—that’s how kids learn these skills.”

What Experts Say About Allowances for Children

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Your six-year-old daughter wants an allowance—all of her friends get one. You wonder if she's old enough to handle the money and—if you give her one—how much should she get and how often? Before you know it she'll be asking for a raise.

"A regular allowance helps kids take responsibility for spending decisions and encourages independence. Instead of getting money 'on demand' whenever they need it, children with regular allowances can learn to plan ahead—to anticipate spending needs and make choices about what's most important," says Linda Boelter, a certified financial planner at the University of Wisconsin (Madison)-Extension.

If you're considering giving your child an allowance, here are several things to decide:

What age?

If you decide to give an allowance, start one as soon as your children start recognizing money's worth—kids do this fairly early. Janet Bodnar, senior editor of *Kiplinger's* personal finance magazine in Washington, D.C., stresses two points in her book "Dollars & Sense for Kids" (ISBN 0938721674).

- Don't give an allowance until children are old enough to manage it. Once children start first grade they begin learning about money in school, so they know if they get a \$1 bill each week, it's equivalent in value to 10 dimes or four quarters.

- Keep the system simple so you can manage it. "Denying kids an allowance doesn't make it easier to

limit the amount of money they get their hands on," says Bodnar. Because most children will get the money out of parents anyway, it's better to teach them how to manage it themselves than allow them to nickel and dime you to death. Plus, using an allowance gives parents and children more control over the children's finances.

How much?

Give children enough of an allowance so they can squander it, but not so much that you'll be upset when they do, recommends Bodnar. Sit down with your children and decide what expenses the allowance will cover and try not to underestimate a kid's cost of living, she adds.

Ask others what they pay but go with your own



Give children a basic allowance that isn't linked to chores but linked to spending.

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instincts and values for what you believe is appropriate. "Keep allowances reasonable," says Kaitlyn Laurie, child and adult psychotherapist in Madison, Wis., and certified parent instructor for Parenting With Love and Logic—a series of classes on parenting issues. "Overdoing it gives kids the impression that things come too easily; underdoing it gives them the impression things come too hard."

Bodnar says:

- First-graders need at least \$1 a week to do any serious spending or saving, even if it isn't out of line. As children get older, increase the amount depending on what expenses you expect them to cover.

- As kids age it's reasonable to pay them more. For example, besides movie tickets, you might expect your 11-year-old to pay for snacks and games at the arcade, but figure that basic expenses for clothing and school supplies are your responsibility.

- By the time children reach the age of 15, it's reasonable to expect them to contribute toward clothes, movie tickets, and school activities such as ski trips.

For six- to eight-year-olds, the average allowance is about \$4.80 a week, according to a recent Nickelodeon/Yankelovich Youth Monitor survey. That rises to \$7 for kids nine to 11 and \$16.60 for 12- to 17-year-olds. Or, Bodnar suggests trying an allowance equal to half your child's age.

How often?

You should pay allowances on a regular schedule. Weekly payments are best for younger children because long-term gratification isn't their strongest suit. "As children get older, monthly payments may be a better strategy—this is where budgeting skills come in," says Boelter. "If they spend it all in the first

week, it's gone," she says. "Teaching children to budget in their teen years helps save them from the consequences of not knowing how to budget as they get older," she adds. "It's better to not be able to go to the movies for a couple of weeks when you're 16 than not being able to pay rent or a car payment when you're 25."

Whatever payment schedule you choose, stick to it. "Forgetting to pay an allowance does more harm than not giving an allowance at all," says Boelter. "You need to model responsibility if you expect your children to be responsible," she says.

Should an allowance be earned?

One of the most controversial issues regarding allowances is whether you should expect children to do chores in return. Child development experts generally say no.

"There are risks in linking allowances to chores," says David Riley, Bascom Professor of Human Ecology at the University of Wisconsin (Madison)-Extension. "It sounds like a good idea at first because we want children to have experience actually *working* for money," he adds, "but, the problem is that it undercuts the idea of the family as a moral unit."

"For instance," Riley asks, "suppose you're giving your son an allowance for mowing the lawn, but then your neighbor offers him slightly more for mowing his lawn. Does that mean your son should stop mowing your lawn and mow the neighbor's instead?"

"If you think the family is a primary economic unit—like a business—then that's what your son should do," says Riley. "But, the family isn't that. Parents should communicate to children that the reason they need to do chores is not because they'll be

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