

## News Release

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### Money Matters: Helping children learn about money

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Did you get an allowance as a child? Do you think handling money as a youngster was helpful?

Handling money is one of the best ways children learn money management skills. When children learn sound money management habits early in life, it can impress upon them the value and use of money for years to come.

Children can learn how to manage money when given an allowance. Children often learn money management from their mistakes. When the allowance is gone, children realize that the supply of money is limited. Perhaps, this will teach them the importance of saving for what is wanted and needed.

An allowance teaches financial negotiation skills. When an initial plan for spending is unrealistic, you can help your child learn to renegotiate the plan. If a child overspends or spends too quickly, allow them an opportunity to renegotiate the amount of their allowance.

Allowances can be handled in a variety of ways including:

1. *Allowances provided with no work expectations attached.* Household chores are the responsibility of everyone who lives in the house and everyone pitches in to help out. These allowances share the money coming into the household with everyone in the house. Everyone receives a portion. This keeps chores separate from allowances and supports the concept of a family unit working together. It also allows children total freedom on choices for spending and saving allowances.
2. *Allowances given when chores are completed.* A list of chores is created for each child. When they are finished they are rewarded with an allowance. If the chores are not completed the allowance is not given or a smaller amount is given. This teaches a relationship between work and money and allows children the freedom to choose how they spend or save their allowances.
3. *Allowances cover specific expenses or financial responsibilities.* A base allowance to cover specific expenses can be very powerful. Review your child's allowance with them and see that the allowance covers what you expect them to pay, adding items when necessary.

Setting specific goals for spending or saving is a powerful tool in money management. You and your child can determine what financial responsibilities will be attached to their allowance. This can be the first step in learning to set goals. For example, \$5 a week will be spent on entertainment. This requires that parents let go of paying for the child's entertainment and transfer the decisions for the cost of entertainment to the child. To

determine how much allowance to give, try this: For one month of expenditures, give the child \$20. From this amount, he or she will pay for a \$5 movie with friends, a \$5 game or toy, and \$10 for food.

4. Allowances encourage a positive work ethic and creative ways to increase income. Allowance gives your child money to work with. If they feel they need more money, parents can provide some alternative ways to make more money. This empowers them to understand they are in control of increasing income.

How often should an allowance be given? Short intervals, like once a week, are best. Children need immediate gratification. Allowances can be given at the same time parents are paid. Giving allowances the same time, same day of the week, and the same amount is helpful. It demonstrates consistency, and assures that it is not forgotten.

How much allowance? Parents can tie the amount of allowance to age, maturity, job responsibilities or expenditures. To determine the amount, take all of these into consideration. Remember, there is no set formula; allowances should fit the situation and the family.

Your goal as a parent is to recognize when your child is ready to start managing his or her own money. Then shift some spending and saving decisions over to your child. Create safe boundaries for your child to learn by doing. Reduce the need for your child to ask for money. You need to shift your behavior; as the child takes on more financial responsibility then you let it go. Set an example of how to manage money successfully and how to handle money mistakes. Be supportive of their efforts and celebrate their successes. Enjoy watching your children learn about money.

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