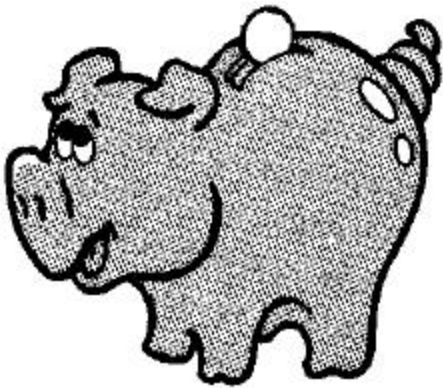


Should you give your child an allowance?

Patricia A. Behal, Western Area Specialist, Family Resource Management
Alice Crites, Northeast Clark County Extension Educator



Children's allowances have been around for more than 100 years. During the mid-1990's, a little more than half of all American families reported giving their children allowances. Even so, that doesn't automatically mean that every family needs to use them.

Deciding whether to give an allowance is a family by family decision. It may not be practical for every family to give their children allowances. Not every family feels they can afford them. Some parents simply may not want to give an allowance.

Parents use allowances to teach children how to make decisions, how to prioritize between needs and wants, and how to handle money. Parents are often motivated to start giving an allowance as a way to avoid disputes with children. While an allowance may or may not have the desired effect on family harmony, it does provide parents with an excellent opportunity to teach their children valuable lessons about money. Parents also get the chance to teach family values about money.

A few questions for parents to consider in making the allowance decision are: What are the benefits for your children and for your family? What are the disadvantages? Do you currently give money to your children? If yes, how much and how is the money used? Parents may be in for a surprise once they have the answer to how much money they are currently giving to their children even without an allowance system in place.

How much money should you give and at what age?

If a parent does decide to give allowances, the next questions may be: At what age should you start giving your children an allowance? How much money should you give? How often should you give it? In a 1999 survey, the age at which children started receiving allowances was about eight years. Older children received bigger allowances than did younger children.



Child's Age	Average Amount of Allowance
8 to 9 years	\$3.74 per week
10 to 11 years	\$5.19 per week
12 to 13 years	\$6.66 per week
14 years	\$9.45 per week

Should children younger than age eight receive an allowance? It's a decision that needs to be made child by child. Children as young as ages three and four may be ready if they: 1) can tell one coin from another, 2) know how to count, and 3) have spending opportunities. Delay giving your children allowances until they understand these ideas about money so that the allowance will have an educational benefit to your children.

In deciding how much allowance to give, consider both the ages of your children and what the allowance will cover. The allowance should be enough funds to cover the agreed upon basic expenses with some left over for extras. Yet, limit the amount given to require children to make choices.

How often should you give an allowance?

Give allowances at regular intervals such as weekly, every other week, or monthly. For very young children, allowances may need to be given even more frequently. Providing allowances on a regular basis helps parents use allowances as a teaching tool. Start by giving an allowance each week. Once your child learns how to

make the money last to the end of the week, you might give a larger amount every other week. To decrease the chance for immediate spending and to motivate children to save, give allowances on a Sunday rather than a Friday.

What helps an allowance system work?

To make an allowance system work, parents may want to establish some rules and guidelines. Since allowances shift many spending decisions from parent to child, a written agreement is helpful in determining how the money will be used. What will the allowance cover? What items do you currently buy that your child will now buy using allowance money? What can or cannot be purchased no matter whose money will be used? Will the basic rule be that your child receives no additional money if he or she runs out of allowance money?



Using these guidelines gives parents a way to teach additional money-handling skills. Since allowance money will need to last from pay period to pay period, parents can show their children how to set up a system to plan how they will spend their money.

Parents can also help children set up a system for tracking their spending. To encourage your children to track their spending, let them know that these records may help them justify a raise in their allowances!

Additional strategies that may help an allowance system work include being creative and tailoring the system to each of your children's unique personalities. Knowing your children and what motivates each of them will help you adapt your approach.



There are two big allowance hurdles that may interfere with the success of an allowance system. One is whether to tie an allowance to good behavior. The other is whether to tie it to chores. If an allowance is used for reward and punishment, the allowance may become a power issue between you and your children. It may lead your children to believe that money is the only incentive for being good or completing chores.



A more positive way for parents to reward children is to separate the reward from the allowance. The reward could be money, but it could also be treating your child to an afternoon at the park, a movie, or even a new book.

Parents who tie allowances to chores hope to teach children the value and ethics of paid work. If chores aren't completed the allowance is docked or withheld entirely. It may be better to pay children to do special chores such as mowing the grass or shoveling snow. The punishment for not completing regular chores that are part of a child's participation in the family might be not getting to watch TV or talk on the phone with friends. Children whose allowances are not tied to good behavior and chores end up with a better understanding of financial concepts that can be taught with the use of allowances.

What do allowances teach?

Because allowances provide a steady stream of income, children get hands-on experiences in learning how to handle money. They get the opportunity to practice spending money, learn how not to spend every-thing they receive, practice saving and/or investing money for short and long-term goals, and share it with others. They make more decisions on their own and learn about comparison-shopping, shopping at sales and other consumer skills. An allowance can promote a sense of responsibility and children will learn from their mistakes and their successes.

When parents give their children allowances, many things happen. Because parents want the allowance system to work, they tend to talk more with their children about money. They discuss the purpose of an allowance and give lessons about how to handle money. Parents are more aware that they need to set a day-to-day example that they want their children to follow.

Will giving your children allowances guarantee that they will become experts at handling money? No. What is certain is that if parents don't do the teaching, children will have few opportunities to learn money skills in other ways.

For more information, read "Children and Money: Allowances and Alternatives" by Sharon M. Danes, Ph.D. Find it on Minnesota Cooperative Extension's web site:

<http://www.extension.umn.edu/distribution/youthdevelopment/DA6117.html>

**UNIVERSITY
OF NEVADA**

The University of Nevada, Reno is an Equal Opportunity/Affirmative Action employer and does not discriminate on the basis of race, color, religion, sex, age, creed, national origin, veteran status, physical or mental disability, sexual orientation, in any program or activity it operates. The University of Nevada employs only United States Citizens and aliens lawfully authorized to work in the United States.