



## Your Guide to Giving an Allowance

Let your kids learn life lessons about the value of a dollar by managing their own money—and sometimes making impulsive choices.

by **LESLIE GOLDMAN**

**WHEN STACY FLEMING'S** son, Ian, was 5, he wanted Beanie Boos, toy cars, and Spider-Man stuff every time they went to Target. Frustrated by his constant requests and eager for him to appreciate that money doesn't grow on trees, the Chicago mom decided to give him \$5 a week, explaining that 50 cents had to be saved, 50 cents put aside for charity, and the remaining \$4 was his to spend.

Ian stored his allowance in a Teenage Mutant Ninja Turtles wallet. If he asked his mom for something, she'd say, "It's \$12. Do you have that much?" Often he didn't. "Usually, he'd realize he didn't want it that badly," Fleming says, and if he did, then it went on a wish list that

motivated him to keep saving. By age 9, he had enough socked away (along with birthday cash) for an iPad. Now 11, he still buys all his toys and video games, and makes a donation every Christmas to an animal shelter or a museum.

When it comes to teaching kids about budgeting, saving for a goal, and delaying gratification, the smart money is on an allowance. "The things we spend on and save for, and the causes we support, say a lot about what's important to us as a family," says *New York Times* money columnist and father of two Ron Lieber, author of *The Opposite of Spoiled: Raising Kids Who Are Grounded, Generous, and Smart About Money*. "This is an

opportunity to inch our kids toward becoming the modest, patient, generous people we want them to be."

And starting early makes sense. "Children are ready to handle an allowance once they know their coins, are comfortable counting, and make regular requests for candy and toys," says Sharon M. Danes, Ph.D., emeritus professor of family economics at the University of Minnesota Twin Cities. That's typically between ages 5 and 8. We spoke with experts and financially savvy parents to determine the best ways to implement an allowance and instill money smarts that last long after the Donatello wallet has been retired.

**STEP 1**

**Decide how much.**

Lieber recommends starting with \$1 per year of age per week, so \$5 a week for your 5-year-old or \$7 a week for your 7-year-old. You can reevaluate that formula once your child becomes a tween with different spending needs.

**STEP 2**

**Set the rules.**

Many financial pros recommend making allowance a no-strings-attached learning tool. “You’re not handing out money to your kids with no expectation in return,” Lieber says. “You’re going to help them learn saving, spending, and investing.”

However, the American Institute of Certified Public Accountants (AICPA) found that four out of five allowance-providing parents tie the money to chores. That system worked well for the Mursets, of Queen Creek, Arizona. Dad Gregg, a Certified Financial Planner, says his six kids have always had to clean their rooms, clear their plates, and feed the



dog to get their payment. “You have to work to earn,” says Murset, who created the chore app BusyKid. “Tying chores to allowance teaches accountability.”

While this method is popular for the way it gets kids to contribute

to the household, there’s a downside: An allowance hinged on chores (or grades) sends the message that kids deserve to be paid just for making the bed, says Amy McCready, founder of Positive Parenting Solutions and author of *The “Me, Me, Me” Epidemic*. You’ll also have to keep track of what the kids do and don’t do—and figure out how to respond if they tell you they don’t want to empty the dishwasher and that you can keep the money. A more flexible idea: Give a set weekly allowance, but offer extra money for next-level chores like weeding the garden or organizing the Tupperware drawer, both of which young kids can do, says Stephanie O’Leary, Psy.D., a clinical child psychologist in Mount Kisco, New York.

**STEP 3**

**Hammer out the details.**

Having a signed contract for kids ages 6 and older sets clear expectations and helps ensure consistency, says Dr. O’Leary. Include the allowance

amount and the day of the week when they'll be paid. Then decide what percent you expect your kids to spend, save, and donate. Lieber suggests one third per category to start, but Fleming's approach (Ian kept 80 percent, donated 10 percent, and saved 10 percent) works if your main goal is to teach what money can (or can't) buy.

To explain what they'll have to pay for themselves, Lieber (who interviewed Elmo about whether Cookie Monster *needs* cookies or simply *wants* them) suggests the following script: "We [or I] will buy you everything you need—like food and school supplies—and when it's your birthday and on holidays, we'll buy you gifts that you want. Your allowance is for other things you want during the year that we're not going to buy."

It's best to use cash, suggests Jaleigh White, C.P.A., a member of the AICPA Financial Literacy Commission and mom of two. "Most kids are visual learners and benefit from watching cash accumulate, as well as emptying their jar to buy

something." Once a child is 10, you can switch to an app that tracks money electronically. The BusyKid and Homey apps tie money to chores, and Greenlight is a debit card you load.

#### STEP 4 **Create teachable moments.**

The magic of an allowance happens when it's a springboard for ongoing discussions about budgeting and value.

**Encourage sharing.** Let your children pick the recipient of their Donate or Share jar, to build on the concepts they're learning in school and on playdates. "Get them thinking about generosity," says Lieber, "and talk about institutions that are meaningful to your family."

**Insist that they save.** Younger kids generally can't see farther out than a year or two, so help them choose a goal they can accomplish in that time frame. A toy is a fine option, but you can also encourage them to save for an experience

(like tickets to a favorite place or event) rather than an object. Saving up for an experience, Lieber says, has often been shown to bring greater happiness.

#### **Watch them learn from spending.**

It's essential to let your kids pick what they want to spend their money on, even if it looks like junk to you. Another pack of Pokémon cards may make them happy, but if it doesn't, buyer's remorse is best learned young, when the risk is low. Says White, "You don't want them to be in their 20s when they first learn that resources are finite."

We're not saying you can never treat your shopping buddy to a spontaneous cookie or surprise them with a cool toy; that's part of what makes parenting fun. But as Head Banker, you must stay firm when your first-grader starts begging for Shopkins toys. Remind them, "This is what allowance is for." That way, the choice of whether to spend now or keep saving is in their hands, says Lieber. "Then you're not saying 'no' all the time. You're saying, 'It's up to you.'" ❌