



The Importance of Giving Kids an Allowance

Parents have many responsibilities when raising kids. One is to teach them about saving, spending, and donating money. You can begin the education by having them earn an allowance.

Simply handing out an allowance can cause your children to develop unrealistic expectations. These days most of us have to earn our keep. Use your kid's allowance as an opportunity to provide a lesson with lifelong benefits—the value of money.

Money isn't free — you have to earn it. Young children have little understanding of money, assuming that their parents will meet their needs. The best way to show children that money has value is to make them work for it. Chores teach kids the importance of keeping their promises, doing a job correctly, and getting rewarded for labor. You never outgrow these lessons.

Make saving more attractive. When your children are old enough, take them to your local bank branch to help them open a passbook account. It can be an exciting event that stays with them. Encourage them to save at least part of their allowance by offering matching funds for each saved dollar. Regularly log onto the account and show your child the interest earned.

Set a savings goal. Children can learn the value of money by observing the time and work required to save up for a particular goal. Maybe the goal is a toy for a younger child or a bicycle or video game when they get a little older. Teens could be expected to save for college. By setting goals, you help instill a sense of discipline and the ability to postpone current spending to earn larger rewards later.

Charity from savings. Teach your children the twin virtues of thrift and charity at the same time. Offer to match the portion of their savings that they donate to the charities of their choice. You can also offer them extra rewards for making charitable donations.

Schools don't teach finance, so it's up to you. As your children mature, the time will come to start taking finances seriously.

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Tracking # 1-949237 (Exp. 01/21)