

LESSONS AROUND A CHILD'S ALLOWANCE CAN IMPACT ADULT SPENDING HABITS

There are three components in structuring a child's allowance;

1. The age at which he will first receive it.
2. How much allowance he gets
3. What restrictions there are on how he may spend it

How the allowance evolves and how you discuss it and the purchases your child makes with it can be some of the most valuable financial educational tools you have.

There are many right approaches to determining how much a child gets for an allowance. One rule of thumb is that a child can be responsible for \$1 per week for every year of their age. This rule can change depending on what the child will need to spend money.

It is perfectly sound parenting to help your child decide what he may spend his allowance on and create a range of choices. It is likely that he will ask if he can buy something (or simply go out and buy it) that never occurred to you to exclude from your list of acceptable purchases. However, the time to think through the "allowable" purchases and the "don't you dare" purchases is important.

For example: toys, candy, a treat at the school cafeteria, or a meal at the mall rather than waiting to eat at home may all fall under allowable uses. He needs to understand, though, that you will never allow him to spend money on something dangerous or to have or do something he knows you don't want done, such as tattoos, piercings, music with profane lyrics, or whatever falls into your perception of inappropriate.

Or you can create more general parameters. Anything that falls away from family values that is purchased will be taken away, so he will have lost

the money expended.

Accept that your child will make decisions greatly different than you would have made for him. This is all part of helping him make responsible decisions around money. Whether he buys a red shirt (your choice) or a green one (his choice) this decision is a far cry from his coming home with a shirt with a profanity across the chest, which of course, he will forfeit.

As your child matures, both the allowance and its uses can be expanded. Many people disagree about whether or not allowances should be tied to household chores. Some people feel chores are part of being in a family and should be done regardless of whether or not an allowance is involved. Others feel that an allowance for chores introduces the concept of earning money as well as responsibility at home. Valid arguments can be made either way. If you tie allowances to chores, be consistent. In fact, consistency in the consequences of your child's decisions around spending his allowance is one of the greatest teaching points you will have regarding money. Expect mistakes, but make certain that the underlying lessons are not lost. It is far easier to make really bad purchases at the allowance level than at the adult level. Don't rescue the bad decisions. Feeling the consequences of those decisions is what brings about maturity in your child regarding money.

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