

Making Allowances

Everything you need to know about raising financially savvy kids in a material world.

By Debbie Noffsinger

"Mom, can I have money for ice cream?"

"Dad, I need more batteries for my CD player."

"Mom, I lost my school ID and need \$2 to replace it."

Requests for money were becoming all too common in our house, especially when our boys turned into teenagers with expensive social lives. So my husband and I set out to create an allowance system that would teach our three sons how to handle money.

Our culture tugs relentlessly at the pockets of our children. They are bombarded with messages that tell them to buy the latest gadget, the coolest clothes, the hottest music. And increasingly, our children are giving in to those messages. While it's always been important for parents to teach their children to be wise in their spending habits, it's essential for today's children to learn to be good stewards of their money.

The most obvious way to begin building good money habits in our children is to give them some money of their own and teach them to manage it well. That's where allowances come in. Now some families choose to skip allowances altogether, but for our kids, a regular weekly allowance has been the most effective way for us to instill valuable lessons about smart tithing, saving, and spending. Naturally we hit a few snags as we tried to find a system that worked well for all of us, but we learned some valuable lessons along the way.

Setting up

Our initial plan was a no-brainer: the boys would earn their allowance by doing chores around the house. They'd learn responsibility and we'd have help with the housework. It sounded too simple to fail. But boy, did it fail.

There's a ten-year age difference between my oldest and middle sons. Our first plan was to give our oldest son a set allowance each week, but dock his pay if he failed to do certain chores—just like the real world, we thought. Not making his bed would cost him 25 cents; not cleaning his room would cost him a dollar. Unfortunately he wasn't very consistent in doing his chores, so I spent way too much time recording deductions. (Lesson No. 1: Don't create more work for yourself: Develop a system that runs on its own.)

I soon tired of being the family accountant, so we tried other forms of allowances for a while: No allowance at all after a set number of infractions, extra money only for what we thought were chores above and beyond the call of duty—like cleaning out the garage or shoveling snow. But each time the result was the same: not only did our son still have little to no money of his own, but

calculating the amount he should receive for the week was just too time consuming for me.

After Son No. 1 left the house, we decided to try yet another plan for our two younger sons. We opted not to link allowances with chores. Instead, we explained to our sons that chores should be done because we are a part of the household, and the household functions best when we all work together. We gave them a set allowance each week with the chance to earn bonus money for extra chores, like cleaning the bathroom.

On the surface, this worked fine. But we soon noticed that not only were we paying allowance but also handing out cash for movies or football games or pizza. These amounts seemed small when the boys asked, but they added up fast. So we revised our plan again. (Lesson No. 2: Hand out money once, and only once, per allowance period.)

This time, we decided to give the boys a sizeable increase in their weekly allowance, but we added the caveat that they had to pay for their own social lives. They could still do extra chores if they needed more money, but their days of getting an allowance and a loan from Mom and Dad were over.

Initially, the boys spent all of their money in the first few days. But after six weeks or so, they began to realize that the amount we gave them was all they were getting. They learned to spend more wisely and to start saving for the things they really needed. (Lesson No. 3: Stick with your plan for a while to let the kids get the hang of it.)

This system has worked well for us. It's become a way to not only put an end to the seemingly constant requests for money, but we've found that it's helped all of us become more purposeful in the way we handle our financial resources.

Tithing and saving

The whole allowance question is less about giving kids money and more about teaching them invaluable stewardship skills. So we encouraged our boys to follow the guidelines recommended by many Christian financial planners: they were to give 10 percent to God as the Bible directs in Leviticus 27:30, put at least 10 percent in savings and investments, and learn to live on the remaining amount.

Teaching children to be good stewards of their resources means helping them learn the difference between wants and needs. Once our sons had to "live" off of their own money, we noticed that they quickly learned to adjust their spending. Just recently, our 14-year-old decided to go to a matinee movie instead of the evening show because he could save a little money. The same son chose not to buy batteries for his CD player at the gas station because he could get them for less at another store. Our 12-year-old told me he made a conscious choice to only spend 50 cents for an extra treat at lunch even though he wanted to buy more.

Saving money can be a tricky concept for children, especially younger children who don't have a fully developed sense of time: "the future" doesn't really mean much to them. In her book, *Kids and Money: Giving Them the Savvy to Succeed Financially* (Bloomberg), author Jayne Pearl suggests using visual clues to help children ages 6 to 9 set financial goals. For example, if they want to save for a new toy, cut a picture of the toy out of a magazine or sales flyer and paste it to a clear jar that can double as a piggy bank. As they put their 10 percent (or more) in the jar each week, they'll be reminded of what they're saving for.

This same idea can help children understand what their tithes are for. Attach a picture of a missionary your church supports to a "tithing" jar, or walk through your child's Sunday school classroom and point out all the supplies his tithe helps pay for. These visual reminders will help your child understand that his tithe is an important part of the work of the church in the world.

As children get older, they might have fun investing some of their savings in stocks. John Pettit, an investment consultant with Brookstreet Securities, suggests opening up a savings account for your child when she is 6 or 7, then moving a small part of that savings into some low-risk stocks a few years later. Consider investing in the company that makes her favorite brand of sneakers. "You have to connect the stock with something your child can relate to," says Pettit.

Of course there are no guarantees in the stock market, so keep the initial investment small and keep in mind that stocks are for long-term savings, not short-term. Pettit's daughter, Jenny, invested a portion of her savings in Disney stock when she was young, a decision that paid off when Jenny sold the stock for twice its original value when she was in high school, giving her the money she needed for a school trip to Spain.

How much to give

For many parents, knowing how much allowance to give is the most difficult part of any allowance system. Honestly, there is no rule of thumb—you should give what seems reasonable to you, keeping in mind the cost of living in your area and how much you can afford to give. You'll also need to keep the ages of your children in mind. Janet Bodnar, author of *Kiplinger's Dollars & Sense for Kids* (Kiplinger Books), recommends starting an allowance no earlier than the age of 6 because this is about the time a child starts learning about money in school. Before age 6, your child won't understand the concept of money and how far a dollar will go in the real world.

Bodnar also suggests basing the amount on how much of their own expenses you expect each child to cover. Sit down with each child and make a realistic list of their expenses for a week, but don't underestimate their costs. About two dollars per week is good allowance for a 6- to 8-year-old. It's enough for them to be able to have a little spending money and still save 20 cents and tithe 20 cents each week. By age 9, your child could be expected to pay not only for snacks but also an occasional movie or video game rental.

Between ages 12 and 15, your child will be more socially active and will probably spend more time with friends than with you. We've found that our sons are going on more church-sponsored events like short mission trips and day trips to theme parks. We don't expect them to pay the entire cost of such adventures, but they do need more money when traveling.

When your child hits 16, he'll likely start driving and spending even more time with friends. Clothes may become an issue too. Bodnar says it's not unreasonable at this age to expect your teenager to pay for gas and at least help pay for car insurance. In fact, he may need a part-time job in addition to his allowance to pay for some of his needs. Just don't let the job become the means for your teenager to spend even more money, cautions Bodnar. Hold him to the same standard of thinking through needs and wants, saving, and tithing.

Our sons are only two years apart so we give each the same amount—ten dollars per week. This is enough to cover their tithe, a movie or sporting event, and a one-dollar savings. The math is simple for me because they each get the same.

No allowance system is perfect, but we've found a workable plan for our house. Our kids are learning the difference between wants and needs, and are discovering that being good caretakers of the financial gifts they've been given is an essential part of growing up with God. And that's the best lesson of all.

Want some statistics?

According to the January 1999 issue of Consumer Reports, the going rate for allowances per week is \$3.74 (USD) for kids ages 8 and 9, \$5.19 for kids ages 10 and 11, and \$9.45 for kids age 14.

Chores and change: Paying for a job well done

If you tie allowances to chores, it's best to have a firm financial philosophy in place so your children know just what is expected of them. These guidelines from the late Larry Burkett, a well-respected Christian financial adviser, can help you get started:

Pay for completed jobs. "He who works his land will have abundant food, but he who chases fantasies lacks judgment" (Proverbs 12:11). Teach the value of work well done. Pay for completed work that children agree to do, not for partial or uncompleted jobs.

Reward quality work. "Whatever you do, work at it with all your heart, as working for the Lord, not for men" (Colossians 3:23). Pay for work well done. Kids aren't adults, so make sure your expectations are reasonable, but teach them to do their best and take pride in their work.

Compensate exceptional work—or more than what was agreed upon—with bonuses.

Pay fairly within the family budget. Pay justly, not excessively. If kids receive too much money for too little work, they might grow up with a distorted value system.

Practice sharing. Teach children to tithe and set aside a portion of their earnings to give to the church, missions, the poor, or other worthy causes.

Encourage saving. "In the house of the wise are stores of choice food and oil, but a foolish man devours all he has" (Proverbs 21:20). Children who learn to save for things they want will be less inclined to go into debt as adults.

Resources

KidsBank.com. This website, presented by Sovereign Bank, explains banking terms and how interest works in language kids can understand.

Crown Financial Ministries. The late Larry Burkett's website, cfcministry.org, offers excellent financial advice from a Christian perspective.

Money-Savvy Kids: Parenting Penny-Wise Kids in a Money-Hungry World (WaterBrook Press), by J. Raymond Albrekton. Practical, Christian advice to help prepare children for responsible money habits in their adult years.

Kids and Money: Giving Them the Savvy to Succeed Financially (Bloomberg Press), by Jayne A. Pearl. This helpful book has an appendix with many websites related to teaching kids about money.

