

Teaching Your Kids Dollars & Sense

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We can give our kids a priceless gift in their journey toward adulthood by teaching them the value of a dollar.

Experts estimate that children ages 4-12 directly influence an estimated \$187 billion in adult purchases every year; teens spend an average of \$85 a week of their own money. And with advertisers spending about \$2 billion each year on marketing to children, it makes sense that as parents, we need to teach our kids how to value and manage money.

Some parents put money in a child's hand every time he turns his palm upward. Others are against the idea of giving a child any money of his own. Somewhere in between is a healthy balance. One of the most effective tools we can use to teach our kids how to manage money is an allowance.

The Benefits of an Allowance

- Giving your child a regular allowance will provide him an opportunity to learn how to manage money in a relatively safe environment, where you can help him learn from any mistakes.
- Managing her own money will give your child an increased feeling of self worth. She'll feel good about the fact that she can handle the responsibility; and she'll feel even better when she learns to give freely, save diligently, and spend wisely according to biblical principles of stewardship.
- Your child will learn responsibility and accountability. He is responsible for his own money, and he is accountable to you for how he manages it.

Making Allowances

Before you hand your child his first allowance, you'll need to talk with your spouse and work out a plan that will serve as the foundation on which you can build as your child matures and learns more about managing money responsibly.

- 1.** Decide when to start and how much to give. I recommend waiting until your child is about 7 years old, depending on her level of maturity. Begin with a set figure, and then increase that amount by a dollar or so each year. A 7-year-old may get \$4, an 8-year-old \$5, and so on.
- 2.** Determine what your child is expected to purchase. As your child grows older, you may find you need to adjust his allowance depending on his age and how much he already receives. During the preteen years, he should buy gifts for holidays and special occasions. He should also buy his own luxury items (toys, candy, video games, CDs) and pay half for a larger item such as a bike or skateboard. By the time he's a teenager, he should be responsible for non-family outings such as going to the movies, amusement parks, and eating out with friends. However, he should never have to pay to attend an outing with the family.
- 3.** Be consistent. Give an allowance on the same day of the week or month. This will give her something to count on and allow her to budget accordingly.
- 4.** Don't connect allowances to chores. If you "pay" for chores and then ask junior to take out the trash, he might stretch out his hand and say, "For how much?" Chores are responsibilities of each family member, including children.

However, if your child is saving for something special, it's certainly all right to teach the value of saving by assigning extra "jobs" to earn extra money. It's best to pay your child for a job that you might pay someone else to do: housecleaning, mowing the yard, washing a car, sorting garage sale fodder, or baby-sitting. Emphasize the value of his efforts by showing how much you'd have to pay if you went to a car wash, hired a baby-sitter, employed a "clutter-buster," and so on.

5. Teach your child the basic principles of spending, saving, and tithing. You may require your child to save 10 to 20 percent and deposit it into a savings account. Discuss Malachi 3:10 regarding the "tithe" and how our possessions, including money, ultimately belong to God, not us. In the Kay family, we don't require our children to tithe the full 10 percent; instead, we let them choose the amount. However, we've done such a thorough job of teaching Malachi 3:10 that each of our children tithes 10 percent or more. The point is teaching children to be "cheerful givers" and develop a heart of giving that will stay with them after they've left home.

6. Help your child determine a budget. Be careful not to scrutinize how your child spends every dollar. In *Making Children Mind Without Losing Yours*, Kevin Leman says, "To give that child an allowance and then turn around and tell him how to spend it is to go right back to the problem of authoritarianism. ... The authoritarian makes all decisions for his child — including how the child should spend his allowance. The child learns nothing about handling money or accountability."

7. Allow your child to learn from mistakes. When she makes a bad financial move, don't come to the rescue, and don't extend "credit," where she borrows on next week's allowance in order to buy something new this week. When she asks to borrow or have an advance on her allowance, it's a good time to teach her about the disadvantages of going into debt.

Getting our kids off to a good start financially is not only our responsibility, it's an investment. If we do our job well, they may even spend a little money on us once in a while.

Teaching Budget Basics

Here are some great ways to teach your child to budget. In each case, your child can keep the money he or she doesn't spend, which also encourages stewardship and frugality.

Restaurants. When your family goes out to eat, set a fair amount your child can spend. He may choose to drink water or eat dessert at home in order to come in under budget.

Fun Days. The next time your family goes to the movies, the zoo, or a theme park, set a budget for your child. When the money runs out, it's gone — period.

School Supplies. Set a budget per semester to cover all supplies, including backpacks, lunch boxes, and so on. It's amazing how a child will lose fewer pencils and keep up with a notebook when he has to pay for these items.

Clothes. By the time your children are teens, consider putting them on a clothing budget. The challenge is to coach them in their choices without nagging. By the time the money is running out and they're wearing holey socks, you'll need to be prepared to stick to your guns without shooting yourself in the foot!