

How to Set an Allowance for Your Kids

With summer break in full swing, your child's last thought is to learn. They will want to hang out with friends, go to amusement parks or swim at the local pool. Many of these fun summer activities come at a price. That is why summer is the perfect time to set an allowance for these fun activities — which will help teach your kids money management skills without them realizing it.

“Setting an allowance for children at a young age will help teach them to become financially responsible,” said [BANK NAME EXEC, TITLE]. “It will prepare them for when the time arrives to manage their money on their own.”

6 Steps to Setting an Allowance

In today's day and age, setting an allowance for your kids seems like an ancient tool. Many economists, however, encourage parents to set up an allowance for their kids early in life so they can learn how to manage their money and make mistakes when they're young rather than later in their life.

- **Create a plan** — No one has more questions than a child. To help your child clearly understand their allowance, think about why you want your child to have one, what they must do to receive it, the expenses they are expected to cover and how often they receive it.
- **Establish an amount** — Try the age-based approach to avoid conflict and comparison if you have multiple children. The age-based approach gives them the same amount of money as their age. For example, if your child is 12, their allowance is \$12. Ultimately, it depends on the family and their budget, so set an amount that makes the most sense for your family.
- **Designate a pay day** — Make a note on your calendar for giving your kids their allowance and note the expected tasks you have set for your child during the week, so they are held accountable with their end of the deal. Staying consistent will build trust between you and your kids.
- **Implement the three S's (Spending, Sharing and Saving)** — To help your kids learn money management, have them split their allowance into three categories — spending, sharing and saving. For example, suppose you are paying your child \$15 a week. In that case, they can put \$5 toward the spending category for something they would like to buy, \$5 into sharing such as

donating it and, lastly, \$5 into the savings category if they want to save up for an expensive gaming console or other high-ticket item. Putting their money into these categories will help them see money is only sometimes meant to be spent and will help them understand how to manage their bank accounts when they are adults.

- **Allow them to make mistakes** — As much as you want the best outcomes for your kids, there is no learning without failure. For your kids to learn money management, let them be independent with their allowance and have them spend and save on their own even if this deviates from the agreed upon “3 S’s” plan. Learning these lessons early on will help them in the future when they are making bigger purchases. Spending too much of their money on candy is a better lesson to be taught now than when they are older and spend too much on a car.
- **Avoid making it a punishment tool** — Do not take away their allowance as a form of punishment. Taking away their allowance can damage trust between you and your child because it shows them you are not holding up your end of the deal. Instead, find another appropriate punishment, such as limiting how often they can see their friends or limiting their screen time.

More Information

Contact [BANK EXEC NAME, TITLE] at [EMAIL ADDRESS] or [PHONE NUMBER] to learn more ways you can teach your kids about managing their money.