



# Tender Hearts Child Therapy Center

*Parent Newsletter*

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## **Allowances: Strategies for a Successful System**

Parents often have concerns about offering allowances to their children. On one hand, allowances allow children the opportunity to learn about money management and learn the concept that our individual labor is worth money. On the other hand, it is perfectly reasonable for parents to believe that children should help out with basic household chores as they are members of the family and the family unit needs to work together to accomplish the household tasks.

If you choose to have your children earn their allowance by doing chores, set clear standards for the chores. What chores need completed? How frequently? And how much does completion of each chore earn the child? Consider creating a chore chart to keep track of what chores are completed each week. I don't recommend an all-or-nothing approach to allowance. By doing so, parents aren't recognizing the positive side of your child completing at least some of his/her chores. Furthermore, it isn't based on real-world principals. After all, as adults, we don't lose an entire week's pay if we take off early one afternoon.

If you don't want to tie your child's allowance to chores, consider setting up a formula. For example, your child earns \$1 each week per year of age. For example, an 8 year old child would earn \$8 a week while his 6 year old brother earned \$6 per week. Keep in mind your own budget when setting up your formula.

It's important to remember that a child's allowance shouldn't be enough for him/her to purchase all of their wants each week. One of the goals of giving children an allowance is to teach money management. If your child never has to delay gratification by saving some of his/her allowance to make their purchase, you aren't teaching them real-life financial principals.

Here are some additional strategies to make giving an allowance successful in your home:

- Pay your child in cash. Paying in cash will help your child understand the abstract concept of money.
- Set financial responsibilities for your children and stick to it. For example, if your child has to buy his or her own video games, don't buy one for them "just because." And don't help them out buying one because they haven't saved enough yet. Make your child wait another few weeks until he/she has saved enough money for the purchase.
- Understand that children are learning money management. They shouldn't be forced to purchase basic necessities with their allowance. Use allowance for your child to buy the "extras."
- Set a standard pay day and stick to it. Remember, you're trying to teach real-life money management. Think of how angry you would be if your boss held your paycheck. In doing this, remember to keep in mind your own budget when planning the payday. Don't plan the allowance payday on days of the month you routinely are running low on extra cash.
- In addition to your child's normal chores and allowance, consider an "overtime pay" allowance. Create a list of non-urgent jobs your child can do. When he/she comes to you wanting more allowance, refer him/her to the list. It's a great way for your children to learn that doing extra work means we can earn extra money. Plus, it's a time-saver for the parents!