

## Allowance-Saving Grace

by vcmorris - Thursday, June 11, 2009

<http://thethinpinkline.com/2009/06/11/allowance-aving-grace/>

In my May 28th blog (<http://thethinpinkline.com/209/05/28/allowance>), I wrote about kids and allowances. I'm a firm believer that giving an allowance is a good thing and helps parents guide their children onto the road to financial responsibility.

I received a comment and a great question from Jessica, the mother of two small children: *"I have very young children, 2-1/2 and 4-1/2, who adore candy machines and constantly want quarters from us. So I devised a simple system of "jobs" they do daily and we mark completed on our "job board". After a week of completed jobs, they receive 2 quarters, and usually spend both as soon as they leave the house. Their jobs include household chores like clearing the table, putting away their toys, and feeding the dog. I've also included some social skills like sharing and saying please. And this gives us a chance to work on personal developments like getting dressed by themselves and brushing their teeth. So far, it's been very successful! They are motivated every day to check things off their job board and look forward to earning their quarters. However, I've been thinking about introducing the idea of saving -- maybe they put one quarter in a bank and can spend the other quarter. Do you think I should "encourage" or "require" saving? I have to admit their father and I are not good savers and I would love for the boys to learn better habits. I'm just afraid they are still too young for it to be effective."*

I thoroughly agree with what Jessica is doing with her two little ones and think her method is solid. But want to again acknowledge that money specialists are divided about whether allowances should be tied to chores. Some (like me) think it's important that children see the value of work to earn money. Others think chores should always be done as part of the family needs - separate from the allowance. And then there are those who advocate putting a value on specific chores.

As for the idea of introducing savings - my answer to you, Jessica, is - absolutely! I believe that savings should be required. I believe that the concept of savings is mandatory otherwise your children will only know that what they "earn" can be spent as you indicated: *"They receive 2 quarters, and usually spend both as soon as they leave the house."*

I'm furthermore very impressed by your honesty regarding: *"I have to admit their father and I are not good savers."* Not many adults would admit to that, Jessica. That admission is really key because children learn their money habits (as they do other habits) by watching and imitating their parents. Although your children are very young now, they will tend to carry the money messages they learn at this early age - with them into adulthood. So, no, they're not too young for the message of saving money to be taught right now. Here's how:

Give both of them three clear plastic or non-breakable glass jars and help them label them **savings, sharing and spending**. Then explain that you are giving them a *raise* of ten more pennies to 60-cents a week. Tell them what a *raise* means: "Mommy and Daddy think you've both been doing such a 'good job' with your jobs - that we're giving you a few more coins every week." Jessica, this suggestion

of a *raise* is really just so they can potentially and more easily see and give equal 20-cent amounts to each of their jars. Then talk to them about:

- **Savings.** "It took Daddy and me a whole year to save for xx." Show them a calendar, turn the pages of the twelve months that make up a year being sure to mention special things that happen during that period of time - birthdays, special holidays and so forth - to give them an idea of how long it takes to save money.
- **Sharing.** "The money in this jar is what you use to help other people who are having a hard time right now get something they really *need*." This gives you the opportunity to begin and continue conversations about the difference between *wants* and *needs*. I told my grandchildren that if they *want* something, they will need to pay for it from their piggy bank but if they *need* something - which means something that I agree with them is important - I will help them pay for it or even buy it for them.
- **Spending.** "You get to buy whatever you want with your money - if you have enough." This allows you to explain the value of items that they have just been used to getting *and* introduce the choice *NOT to spend* anything sometimes - which takes you back to another conversation about choosing to save and another opportunity to show by example why always saving some money is very important.

Thanks for your comment, Jessica. I hope these suggestions work and that you and your husband will show the children - by your example - that saving money is now absolutely part of your family's plan. Among money specialists, we refer to this concept of consistently saving as *paying yourself first* meaning you *always* put away a portion (however modest) of any money you earn or get - into savings or retirement (and into both if you can).

Here's to your health and wealth!