



Parenting and Money: What Kids Buy—*With Allowance,* *You Can Teach Positive Saving and Spending Habits*

By Kelly Nault

It's an all too common scenario:

Child says, "I want that." Mom replies, "I don't have any money." Child, trying to be helpful, quickly replies, "That's OK, just use your card."

Unfortunately, the child in this story usually equates swiping the plastic—whether a credit card or ATM card—with "free money." Without realizing it, many moms are teaching their children to become future "spendaholics." How? By overusing the credit card—and by acting like their children's personal ATM machine.

What kids buy with their allowance teaches them good, solid financial principles that will stick with them the rest of their lives. However, what kids buy with *your* money (or with your credit card, as the case may be) does little to develop their understanding of sound spending and saving habits.

What Kids Buy with Allowance—And Why Parents Give Allowance in the First Place

What is an allowance for, anyways? An allowance should be given to promote healthy money management. It should *not* be given as compensation for chores. Chores are an everyday part of being a member of the family. The praise and thanks for completing chores is remuneration enough.

Some parents might ask, "Why give kids money for free?" Good question! But the fact of the matter is, you already *do* give them money for free by doling out cash for treats, clothes, games, toys, books...you get the picture. Even without an allowance, you're still giving your kids "money for free."

And this is why an allowance is so great: it allows you to keep the spending on your children in check (actually saving you money!) while teaching them valuable life skills at the same time. Allowance shifts a lot of the spending decisions to your children—and what kids buy with their allowance teaches them practical financial lessons that last.

This doesn't mean taking a 100% "hands-off" approach to parenting and managing your child's spending habits. Instead, it calls you to help teach them the basics of finances so they can go on to manage money on their own. It requires you to set up guidelines for how much money they can save and how much money they can spend. Then, after the financial foundation is laid, what kids buy with allowance is up to them.

Parenting Question: Can You Control What Kids Buy with Allowance?

On page 178 of my parenting book *When You're About To Go Off the Deep End, Don't Take Your Kids With You*, I discuss a money management plan that both kids and parents can appreciate and enjoy. I call it "piggy banking with a twist," and here's how it works.

In order to start receiving an allowance, your child simply has to agree to use the "piggy banking with a twist" system. Instead of having *one* piggy bank, you want them to have four!

The four piggy banks and their purposes are:

- 1. Super Savings Pig** – This is your child's long-term savings. As money accumulates over time in this bank, your child will learn the benefits of delayed gratification.
- 2. Play Dough Pig** – This is your child's fun money. It is to be spent on a weekly basis for immediate gratification stuff like candy, small trinkets, or whatever they want!
- 3. Grand Goal Pig** – This pig helps your child save toward a specific goal, usually a special toy they really want. Many moms report that their kids take far better care of the toys they have bought with their own money than the ones they've been given. What kids buy with allowance gives them a sense of pride, accomplishment and ownership.
- 4. Kind Charity Pig** – This account helps instill the value of giving to others. Get your children involved by discussing and visiting various charities and letting *them* decide where their donations go. And when your children are ready to make their donations, ensure *they* are the ones who mail or hand-deliver them—not you.

How much should go toward each pig? Most kids find it easiest to put 25% in each account. Older children can flex these guidelines a bit, but a good rule of thumb is to put at least 10% toward charity and another 10% toward savings.

Parenting Allowance Help: You Bought What?!

What kids buy with allowance will often seem like plain ole' junk to you. Sometimes your children will want a cheap toy that you know will break shortly after they purchase it. Or maybe they want candy that you would rather they didn't have.

The best thing to do in these situations is to allow your children the experience without any interference from you. The natural consequence of having the toy break is a wonderful learning opportunity. When it comes to candy, whatever junk food is not allowed at all is what they will want even more. So allow your children to spend their "play dough" money as they wish. This is a form of respect and can teach your children how to spend wisely.

In the end, what kids buy with allowance is more than material goods. As you implement an allowance system and stick to it, you will be teaching your children valuable lessons—lessons about how to spend, how to save, and how to do both wisely.

Kelly Nault, MA corporate spokesperson and award winning parenting author of *When You're About To Go Off The Deep End, Don't Take Your Kids With You* inspires moms to put themselves first—for the sake of their children. She shares time-tested tools that motivate children to want to be well behaved, responsible and happy! Sign up for her free online parenting course at www.UltimateParenting.com.

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