

34.

Allowances Aren't Just for Kids!

OBJECTIVE: Help families allocate money among different savings and spending priorities.

TIME: 15 minutes

TALKING POINTS:

Many families offer allowances to help their children learn to manage their own money. Typically, children are given a set amount of money for a set time period, say \$10 per week; and they can spend or save this money as they like. Sometimes, the children are asked to carry out and complete certain chores to receive the money.

Allowances can be a good tool to teach children about the value of money. Through an allowance system, parents can encourage children to prioritize, save, and spend wisely. An allowance can also minimize the number of situations where children are asking their parents for things. An allowance gives children control over their own pot of money. It requires the child to spend and save within a budget or find other sources of income. For example, when the child asks for a new video game, a parent might respond, “I can’t buy you that video game. But if you save up your allowance for six weeks you will have the money to purchase it.” In this way, parents can encourage their children to prioritize and save.

These positive attributes of allowances can be helpful to the entire family, not just for children! Money allowances can help family members save today for future goals or pay for treats that are important to them. Often, we overspend because we don’t take account of how much money we spend on discretionary income. Allowances can help families create and stick to their priorities by allocating money among different saving and spending priorities. Allowances can also give people access to their own pot of money to spend or save as they like. Also, just like children, adults need a personal “allowance” or “mad money” to spend as they like, without having to account to the rest of the family. This money is useful for gifts for oneself and others.

ACTIVITY:

Discuss the different categories of spending in a family.

Discuss the kinds of purchases that an allowance could cover:

- Personal items
- Regular savings
- Longer-term savings for an asset purchase
- Donations to church or charity

Encourage family members to get together on a monthly basis to evaluate use of their allowances. You will all gain an appreciation of how much the family spent and saved and how individuals in the family prioritized their own money. This is an opportunity to learn about each other's money style, to encourage family members to alter their style to meet their collective goals, etc.