

# Money Reality 101

Money is a fundamental part of life.

As with most life-skills, parents play a fundamental role as teachers. Childhood is the perfect time to help kids establish a healthy and realistic understanding of financial matters.

The decisions parents make and the actions they take during the formative years have a giant impact on the relationship and skillsets their offspring will have with money as they move into adulthood.

The investment in helping kids understand the value of money and some basic financial literacy concepts will literally pay back in spades.

There's a life beyond childhood that needs to be funded. The more independent our kids can be as they migrate into adult life, the better off our own pocketbooks will be.

## Allowance Considerations for Parents

Ultimately any allowance will depend on every family's specific circumstances and values. It's important to communicate clearly with kids about expectations and the reasons for the amount of allowance you choose.

There are a number of ideas a parent can consider when establishing an allowance:

**Chores and responsibilities:** Parents can consider tying the allowance to specific chores or tasks, or to a teenager's academic performance or other achievements or improvements. Consider the number and complexity of chores and regularly review and adjust the allowance as teens take on new responsibilities.

**What are they expected to pay for with their allowance?** Are kids buying their own clothes and entertainment? Depending on what parents still agree to pay for vs. what will be shifted to a child's budget can make a difference in the allowance amount. Consider their expenses and the cost of living and inflation.

**Are there other sources of income?** Does a kid have a part-time job? You may want to reduce their allowance and use it as a way to teach about budgeting, saving, & delayed gratification.

## Kids Benefit from Earning Money

In the real world, people work hard to earn money to buy things they need and want. For kids, earning money:

1. **Helps develop a strong work ethic.** By earning their own money, kids learn the value of hard work and the importance of earning their own way.
2. **Encourages independence:** Earning their own money gives children a sense of independence and allows them to make their own financial decisions.
3. **Builds character:** Working and earning money can help kids develop important character traits such as responsibility, discipline, and self-motivation.
4. **Teaches financial literacy:** Earning their own money can teach children to budget, save, and spend their money wisely. Kids earning money automatically, somehow, learn to track it and count it and think about what could be.
5. **Encourages entrepreneurship:** Once those juices start flowing, kids are great at coming up with innovative ideas for products or services – well beyond the old-school lemonade stand. This way of thinking will continue to serve them as they grow into future careers.

## Allowance Rules of Thumb

One allowance rule of thumb, among many is **\$1 - \$2 per week for year of age.**

Following this rule, depending on age and responsibilities:

10-to-12-year-olds might receive: \$10 - 20 / week

13-to-15-year-olds might receive: \$13 - 30 / week

16-to-18-year-olds might receive: \$16 - 40 / week

Parents might consider increasing the amount of allowance while also insisting on a 10% - 20% savings rule.

Helping instill a savings habit from a young age will serve young people for a lifetime.