

A Parent's Guide to Kids and Money: Toddlers to Teens



Guide to giving an allowance

When do you start?

This will vary from child to child, but a good baseline is to wait until your child is mature enough to know what it means to save and spend. This is usually around age 4.¹

How much should you give?

Some experts recommend giving \$1.00 monthly for every year old. For example, a five-year-old would get \$5.00 per month. Of course, this depends on your means and if it works for your family. What's important is to figure out an annual allowance budget and decide on the frequency. Setting clear expectations and being consistent are important to make it work.²

How should you give it?

For younger children, you might use the "three jar" approach—one for saving, one for spending and one for sharing. For older ones, who may have a month when they will need more money than the allowance, consider a lump sum to budget with saving and giving in mind.

What about using allowances for chores?

Chores, like making the bed or helping cook dinner, is expected behavior. But you might let kids earn money for chores that go beyond the expected ones like babysitting or cleaning the yard.

What about grades in school?

Allowance should be seen as a tool to help kids build financial knowledge and skills, not to punish.

Allowance tips:

- **Do not give too much spending independence** to use their allowance however, they wish. Instead, encourage them to save a least some of it and to spend sensibly.
- **Do not take allowance away for punishment.** Allowance should generally be viewed as an educational, not disciplinary, tool.
- **Predetermine increases.** This will help you avoid repeated increase requests.
- **Don't give too much.** Too much money can lead to careless spending and bad habits.
- **Be consistent.** Stick to your program and make sure you always pay on time.

If you would like to take advantage of a free meeting with a financial professional, email us at Retirewise_support@metlife.com. Please include your contact information and company name.

¹PositiveParentingSolutions.com, March 2022

²<https://www.moneyprodigy.com>, March 2022

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