FAMILY MATTERS

…because family does matter

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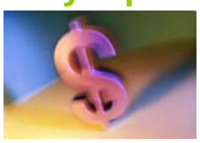
Roberta Rachel Omin, LCSW **Issue 1, December, 2006**

GIVE A GIFT THAT LASTS A LIFETIME
Starting a planned allowance as a holiday gift

Do you want to give a meaningful gift to your children this holiday?
Are you interested in counteracting their "gimme" greedy attitude?
Are you appreciated as being more than an ATM machine?

Why a planned allowance?



Westchester is one of the wealthiest counties in the country making it quite challenging for parents to instill the value of money and the ability to manage it. A planned allowance teaches your child that "money doesn't grow on trees," and that your relationship is not based on what you buy them. At the same time, it gives them power and independence to choose what they want to purchase and be selective in the process. It can diminish the effects of materialistic marketing and TV commercials that children are bombarded with helping them discern wants from needs and what is a valuable expenditure. These management skills follow them into adulthood, teaching them that reliance on credit card debt is dangerous and saving is essential.

When and how to start a planned allowance…

By age 5 or 6, children are old enough for a weekly planned allowance. It is best given on the same day each week, in the exact amount with an attitude of willingness and respect. Underscore its importance by providing a wallet or purse as a safe place to keep his/her money.

What it covers…

For young children explain that it covers such items as small toys and anything else that is important to them. Encourage them to bring their wallets to the store when you shop as an effective antidote for the "gimmes." It is okay to let them experience spending it all and having to wait until allowance day.

The Lewis's give their 6 and 9-year-olds $3 and $5 respectively a week. It is spent on what they want to buy, stipulating sweets are off limits. Liz gives her 12 year old son $50 a month which is used for the movies and school lunches. Carla gives her 17-year-old daughter $100 a month, which covers dinners with friends, gifts, gas, concerts and other purchases. Differentiate a planned allowance from treats, gifts and family expenditures. Going to the movies as a family the parents pay; driving a child to the movies with a friend, she pays. Of course, parents pick up the tab for a special time together.

How much…

The amount depends upon the parents' means, the child's age, maturity and temperament, other sources of income, financial responsibilities the child is expected to assume and the size of allowances received by classmates and friends. Don't be swayed by community or peer pressure to give more than you feel is appropriate or justified. It needs to be realistic to the fixed expenses and include some for discretionary spending. Too little is frustrating, whereas too much obscures the lesson. Let your child make his/her own decisions – both wise and foolish – while communicating your values. Frugal kids need to be coaxed to loosen up; quick spenders need to learn to think and plan. The goal is to have latitude to discover true responsibility.

Savings…

Saving teaches children to delay gratification. Perhaps, an added 10 – 20% above the basic planned allowance can be tacked on. On allowance day, the child then puts the savings into his piggy bank. For older children, a minor's no fee passbook account provides concrete evidence of deposits, withdrawals and interest.

Years ago, my sons had two jars for savings; one for short term (little bank) and another for long term (big bank). 10% of their allowance was put into each jar. When they wanted to make an expensive purchase, they could buy it when there was enough money in the little bank. The accrual from the big bank went into their passbook savings account, which included monetary gifts and earnings. We matched the amount they put into their bank accounts. Recently, my son told me that it was a powerful learning experience; one he plans on using with his own children.

Expectations and responsibilities…

A controversial issue for parents is whether an allowance ought to be tied to chores or grades and docked if the child doesn't deliver. Financial advisers and child development experts are of one mind; a planned allowance is not be linked to chores. These are family obligations for which everyone is expected to pitch in at age appropriate levels of involvement. Additional pay for special jobs can be a welcome opportunity. Linking an allowance or compensation with school performance insidiously undermines and discourages self-responsibility.

Raises…

In the early years, some parents give raises on their child's birthday. As expectations increase, raises can be reviewed with your child about the amount he believes is needed. When the raise is finalized, be clear about what it covers and why it is being given. Teenagers should be encouraged to take responsibility for handling more fixed expenses in their spending plan (school lunches and supplies, gas for the car) and be able to manage larger sums (social and recreational activities, clothing) over longer periods. The planned allowance may move from smaller weekly sums to larger monthly sums. Discuss what expenses can be covered from job earnings. This is excellent preparation for the world after high school.

The other side – not giving a planned allowance…

Some youngsters think they make out better without an allowance. More affluent parents are inclined to grant what is asked for. The difficulty here is money doled out doesn't help children plan ahead, prioritize, determine value, make mistakes or delay gratification. While tightly budgeted parents may expect their teens to earn their own spending money, providing an allowance in the earlier years meets their children's practical need for money and for selective decision-making.

The big picture objective…

Do what is in your child's best interests LONG TERM – not what is easiest in the moment. Children can't learn through osmosis how to truly manage money. Practical hands-on training is necessary. Neglecting this aspect of their development runs the risk of giving them an unrealistic and unhealthy relationship with money. A tangible planned allowance provides many tangible and intangible benefits.

"There are two lasting gifts we can give our children; one is roots, the other wings."
By Hodding Carter

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