

# Mom's Guide to Family Health: New Year Food and Fitness

## Children's Allowances: How Much Is Enough?

WebMD Feature

By Joanne Barker

Reviewed By [Hansa D. Bhargava, MD](#)

### WebMD Feature Archive

Six out of 10 parents give their children an allowance. If you choose to do the same, the next question is, how much? The answer will depend in large part on your child's age, ability to handle money, and your financial situation. Here are four ways you can figure it out.

#### 1. Set Allowance by Formula

Some people suggest giving a child 50 cents for each year of age. By this method, a 7-year-old would get \$3.50 per week. Others suggest a dollar per year, in which case a 7-year-old would receive \$7.

#### 2. Set Allowance by Budget

You might consider how much you spend on your child to determine the amount of the allowance. "Look at the space of a week and how much you spend on miscellaneous things your child wants or needs," suggests James Sears, MD, a pediatrician in Southern California. This method takes into account your child's needs as well as what you can afford, as long as you are currently spending within your budget.

This approach gives you a ready response when your child asks for a toy or piece of candy. "If they don't have any money, if it's already spent, they know they can't get what they want," says Sears. It might take a few excursions for the message to get through, however, so be sure to stick with the plan.

#### 3. Let Your Child Suggest the Allowance

You could start by asking your child what amount works for her. "Let your kids make a proposal about what they want to spend money on and submit it to you," suggests [parenting](#) expert Jim Fay, author of *Millionaire Babies or Bankrupt Brats: Love and Logic Solutions to Teaching Kids About Money*. Use your child's proposal to determine what purchases match your values and what amount fits your budget.

"The key is, there should *never* be enough allowance for children to have everything they want," says Fay. "That prepares them for the real world of adults."

#### 4. Pay Allowance for Chores

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About one-third of parents exchange allowance for household chores, though many experts recommend keeping the two separate. "Kids have chores to do because they're part of the family," says Sears. If chores are tied to an allowance, your child could expect to get paid any time he takes out the trash or carries a dish to the sink.

#### What Allowance Should Cover

In general, school-aged children are too young to manage a budget for clothes or other essentials. However, choosing when to buy candy or games is good training for young kids. They may be unhappy but they won't be harmed when they run out of funds for these purchases.

As your child gets older, you can increase the amount of allowance to cover more things, like movie tickets. By the tween years, your child may be ready to manage a clothing budget.

### **Teach Children to Save**

Commercials and pop-up ads can fill your child's head with ways to spend money. It's up to you to teach her how to save. Fay suggests that 10% of a child's allowance go into savings. At first, you can encourage your child to save up for small ticket items, like a \$3 pack of cards. As your child gets older, he can set his sights on things that take longer to save for.

Kristin Johnson and her husband instituted a "Spend, Share, Save" policy for their sons' money. One third of any money her kids receive is theirs to spend, one third goes to the charity of their choice, and one third goes into savings. "We have no input on the spend choices, guide/encourage the share choices, and have full veto on the save choices," says Johnson.

### **If Your Child Wants More Money**

What if you are giving your child an allowance that meets your budget and beliefs but your child wants more? This is a good time to talk to your child about earning additional money. Fay suggests keeping a list of 'parents' chores' on the refrigerator. "You don't get paid for chores, but if you want to do your parents' chores, you can bid on it."

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The Johnsons encouraged their children to earn money outside of the home, starting with lemonade stands when they were young. Now that they're bigger, the kids are walking the neighbors' dogs, mowing lawns, and shoveling driveways. "It's worked out really well," says Johnson.

### **Be Clear and Consistent**

Make sure your child understands what his or her allowance covers. Be sure to hand it out on the same day every week. If your child runs out of money mid-week and wants a toy or piece of candy, tell her she can buy it when she gets her next allowance. "The most important thing is, when it's gone, it's gone," says Fay.

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#### **SOURCES:**

News Release: Harris Interactive, "\$211 Billion and So Much to Buy — American Youths, the New Big Spenders."

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James Sears, MD, pediatrician; co-author, *Father's First Steps: 25 Things Every Dad Should Know*, California.

Jim Fay, educator, parenting expert co-founder, Love and Logic; co-author, *Millionaire Babies or Bankrupt Brats: Love and Logic Solutions to Teaching Kids about Money*, Colorado.

American Academy of Pediatrics: "HealthyChildren.org - Is Your Child Ready for an Allowance?"

Borba, EdDM, *The Big Book of Parenting Solutions - 101 Answers*. Jossey-Bass Books; 2009.

Kristin Johnson, Concord, Mass.

Reviewed by [Hansa D. Bhargava, MD](#) on February 29, 2012

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