

The value of Pocket Money

At some point parents may begin to give their child pocket money. Pocket Money can teach children the value of money, the cost of items they would like to buy, and help them make the connection between work and financial reward. Many problems can arise when children receive money, but a properly planned allowance system will help your child avoid these problems.

You need to be consistent with the amount of money you give your child as well as when you give it, and what chores may be done in exchange for it. You can also teach your child to bank/save a percentage of their money. Discuss the pocket money system with your child and set up a regular pay day. Discuss with your friends what an age appropriate amount is. Help your child set savings goals and provide them with lots of encouragement to save which will help them learn more about money and its value.

Another important aspect of pocket money is that because you are providing children with money there is no need for you to buy things for them whenever they request it. When they ask for things whenever you go shopping your response is very simple – “now that you have pocket money you can choose for yourself what you buy with it.” This teaches the important skill that they may need to save for things and that you don’t get everything that you want. This is where savings goals can be set.

Even from a really young age and before giving set pocket money, you can start to teach your child the basics in budgeting, by getting them a piggy bank. Whenever loose coins are lying around encourage your infant to put them in the piggy bank. A fun task every couple of months is to count the money in the piggy bank and either put it in the bank or allow your child a treat with it. Then when they are old enough for pocket money, they already have a basic understanding of saving.

This continues onto when you decide your teenagers can be financially independent and they get a financial allowance for a set time period to cover all their personal expenses from cell phones, to clothing, to social expenses. Not only is it important for them to have to manage their own finances, but also great for your family budget, as you know exactly how much your teens will cost you each month.