

Do Kids need Pocket Money?

The desire for kids, especially teenagers to maintain their cool status by acquiring the latest clothes and gadgets is straining many household finances. Parents are finding themselves asking the question, should I keep handing out more Pocket Money?

What we want to teach our kids is not how to spend money, which many are already pretty good at but how to manage money. The best way to teach kids about managing money is to set them some financial goals and allow them the responsibility of managing their Pocket Money.

Here is one suggestion that may work for you which doesn't need to involve handing out Pocket Money each week!

1. Set the Ground Rules

The first thing you need to do is set the ground rules. Once the ground rules are established, make sure all of your children understand exactly how this new Pocket Money method is going to work. Give them plenty of time to think about the new rules and ask any questions they have. The more involvement they have in the ground rules, the better the participation.

- Rule No 1. Write a list of household tasks that will become the responsibility of all of the children. The tasks can be a group responsibility (anyone can choose each week which ones they do) or can be age specific (where younger ones may be limited to which tasks they can complete). Make a note which category each task falls into to minimize any confusion down the track.
- Rule No 2. Set a dollar amount for each household task. Some household tasks should have no dollar value to remind the kids that some things just have to be done as part of living together. Zero dollar value items can include making the bed, feeding the pets, setting the dinner table and putting dirty dishes in the sink/dishwasher.
- Rule No 3. Set a maximum amount that can be earned each week. Giving each child the ability to earn the same maximum amount will provide them with the knowledge that there are enough opportunities out there for them to make the money if they wish to do the necessary work. To promote strong teamwork amongst your children, let them know that if any jobs aren't completed each week they will be done by either the parents or the other children but there isn't any money up for grabs.





2. Determine the Financial Goals

Determining the financial goals gives you the parents a lot of opportunity to be flexible with how (if any) pocket money is given out each week. Here are some examples of how to make this work for you.

- **No Pocket Money.** All kids need clothes and money for outings on school holidays but how much money they need often involves a lot of discussion.



If your kids like designer clothes and you are always amazed at how much money you need to pay for these items, set your kids a clothes budget. Visit the regular department stores, Target, Kmart or Big W and write down the cost of regular items like jeans, t-shirts and jumpers.

Advise your kids that from now on you will go clothes shopping every six months and that you will allocate a total dollar value of clothing for each child based on the prices at these stores. If your kids want to be able to buy the more expensive clothes, then every dollar they earn through the Household tasks will be added to their total clothing allowance.

Mum and Dad, if you do your homework with this method not only won't you need to be handing out pocket money each week, you could save yourself more money at the shops as the kids find out how precious that clothing allowance really is!

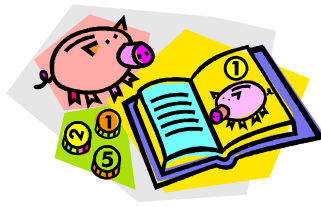
- **Weekly Pocket Money.** If you choose to give your kids the money they earn each week you may want to also set some ground rules for how they spend the money.



Similar to the No Pocket Money, advise your kids that you will be giving them a set clothing allowance based on the regular department store prices. Anything additional that they need or want to spend will need to come from their weekly pocket money.

School holiday entertainment can work the same way, give each child a set amount that you will contribute to their holiday outings. Once they have spent the money allocated by you any additional outings will need to be met by their pocket money. You may choose to add larger household tasks to the list just for the holidays to give the kids an opportunity to earn a bit more pocket money and keep them busy.

If your kids really want to buy or do something they can't afford, you may allow them to borrow the money from their siblings or from you. Make sure that an interest charge is applied to help the kids learn that borrowing money will cost them but lending money will make them more money!



3. Keep Accurate Records.

You will need to keep very good records for either of these systems to make sure they work and that there is no opportunity for the kids to argue.

Purchase a notebook or some butchers paper to help keep track of the money earned by each child. Whiteboards can be a bit disastrous as the kids can rub out and change the dollar amounts or who completed which task.

It is important to keep the kids motivated with completing their tasks and earning their money whether they get the cash each week or not. You may choose to have a family meeting each Sunday evening to look at all of the tasks completed and money earned and let each member of the family know how they are going. Let the kids see how their money is increasing and how they are tracking week to week, did they earn more this week than last week!

The most important thing is to have fun! I hope that these suggestions have given you some new ideas on how to teach your kids about money management.