

FINANCIAL BEGINNINGS

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FAMILY OFFICE



INTRODUCING KIDS TO MONEY

Money is a topic that causes stress in many households. Talking extensively about money is something that's simply not done in society at large, and, by extension, it's not done much at school or at home.

There are other reasons, too. Parents may want to shield their children from these discussions “until they’re older.” They might think they’re protecting their children from making mistakes with money. They also may not be on the same page with their spouse in terms of financial understanding. Whatever the obstacle to beginning the discussion, putting off your child’s financial education isn’t good practice.

There is no wrong time to start helping your children learn about money

One of the best vehicles for helping your children become both financially savvy and fiscally responsible is allowance.

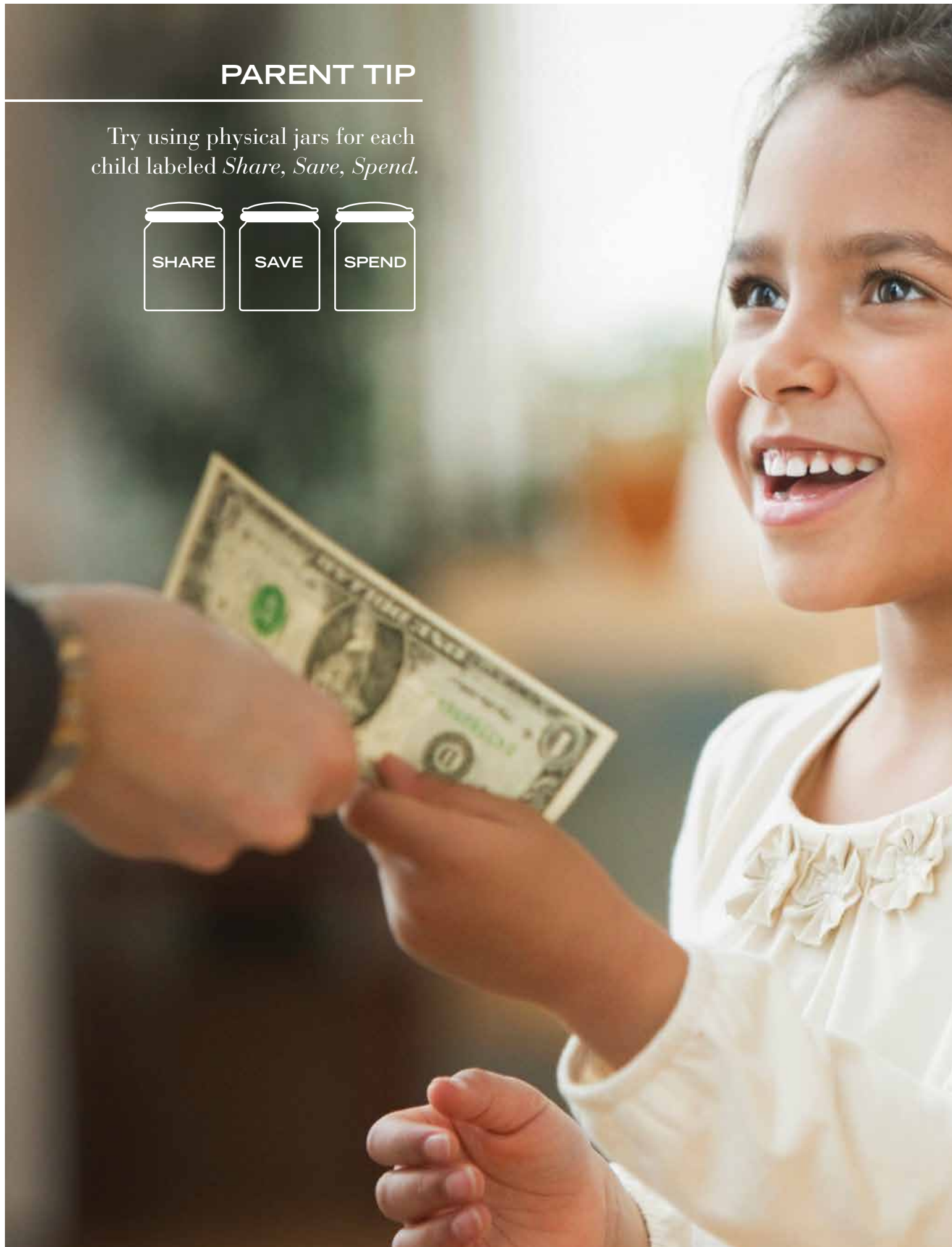
ALLOWANCE

Allowance is a great way to prepare children for the real world. You can use an allowance system to teach basic money management, responsibility, and delayed gratification, among other things. It can be as simple or complicated as it needs to be, and it can be altered as circumstances change. Allowance is not to be confused with family obligation – we make our beds and unload the dishwasher, for example, because we all work together as a family. It’s not tied to behaviors, it’s a way to share in the family resources, values, and money management practices.

There is no set formula that will work for every family and child, but there is a lot of room for modification and customization. There are even new online systems to make allowance more fun and more visual, with the added advantage of eliminating the need to have cash on-hand.

PARENT TIP

Try using physical jars for each child labeled *Share*, *Save*, *Spend*.



HOW DO YOU INTRODUCE ALLOWANCE?



Get situated. Sit down to discuss the purpose of allowance, and how it fits into your family's bigger financial picture. Explain how allowance will allow your child to participate in your family's resources and responsibilities.



Create a contract. Discuss and agree upon the particulars of allowance. How often will it be paid? What expenses will it cover? How and when will allowance be increased? Will you require that a certain portion go to savings or philanthropy?



Determine payment. One recommendation to begin with is \$0.50 per year of the child's age per week. For example, a six year old gets \$3.00 per week.



Set up your account. You can choose to use actual cash, an online program such as Threejars.com, or physical jars for each child labeled "Share, Save, Spend." Cash can be tedious, but is also more tangible than an online system.



Let them learn. Don't come to the rescue when your child runs out of money. Nothing will teach them money management skills faster than experiencing their financial limits.

EARNING MONEY

Earning money is separate from allowance. You can decide how or if you want to allow your kids to earn money on top of their allowance. There are many different age-appropriate ways to teach your children about earning money. Some ideas:

AGES 6-12

Chores: Make a list of chores and how much you will pay for each. Remember that it's ok to require that some chores be done as a part of household responsibility. Chores where money is earned are “above and beyond” a child’s basic expected duties.

SAMPLE CHORES:

- \$2-5** Running the vacuum: specify the area to be covered
- \$2-5** Clean closet or refrigerator: depends on child and details
- \$1-4** Dusting specific areas: watch out for breakable items!
- \$5 PER HOUR** Yard work: simple weeding, raking, sweeping, bagging leaves

Matching funds: Add a percent match on the money your child saves, or offer to match part of the funds for a “big ticket” item that your child is working toward purchasing.

Outside the household: Help your child brainstorm ways to make extra money around the neighborhood.

AGES 13-18

Getting a job: Discuss summer or after-school employment options with your child.

SAMPLE CHORES:

- \$10-20** Wash car: clean inside and vacuum, wash and rinse outside
- \$.75 PER ITEM** Ironing: per item of clothing, or group of smaller items such as napkins
- \$20** Clean out garage: remove junk, storing things in a neat manner, cleaning the floor, etc.
- \$20** Wash windows: this is best completed on a one story house or on the ground floor only

Bank accounts: Open bank accounts so that your child can earn real interest on savings, or potentially learn to responsibly take advantage of credit or debit card rewards programs.

Matching funds: This practice is still applicable for older children.

SAMPLE ALLOWANCE CONTRACT

Using a contract provides clarity around the system, meaning less headaches for everyone! Feel free to modify or add to the contract to suit the needs of your family.

Allowance for:

OLIVIA

Amount to be paid:

\$5 WITH INCREASES TO BE DETERMINED BY AGE AND INCREASED RESPONSIBILITY

The day it will be paid:

WEEKLY ON FRIDAY AFTERNOONS

The expenses it will cover:

CLOTHING AND ACCESSORIES OUTSIDE OF FAMILY SHOPPING TRIPS, SNACKS AT SCHOOL, ACTIVITIES, ETC

Parent 1:

MOM

Parent 2:

DAD

Child:

OLIVIA

Date:

4-15-2014

ALLOWANCE CONTRACT

Allowance for: _____

Amount to be paid: _____

The day it will be paid: _____

The expenses it will cover: _____

Parent 1:

Parent 2:

Child:

Date:

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