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About Money and Children

Kathy Prochaska Cue, Extension Specialist, Family Economics and Management

Money takes on a new meaning when there are children in the family. Parents realize the added pressure on the family's income to cover more wants and needs. They also feel and express a concern for helping their children develop healthy, positive attitudes about money.

Attitudes and habits about money are learned at an early age. Very young children begin to learn about money by observing how their parents feel about money and react to it. They notice whether parents argue or discuss calmly how money is to be spent, who pays the bills, and who keeps the records. This role as observer while still a child will be a subtle but significant influence on how a person feels about money through life.

How can parents teach their children so money will be a positive factor in their adult lives? Some ideas and suggestions include:

Set a Good Example

Actions speak louder than words in forming attitudes about money. So set a good example. Is money used in the family by parents as a bribe, reward or means of control? Are material goods craved? Is there an effort to keep up with the Joneses? Is more emphasis placed on the cost of a gift than the feeling of giving it? Since children are masters at spotting inconsistencies when parents say one thing and do another, be sure to practice what is preached.

Use every opportunity possible to teach smart buymanship. Help children learn to read labels, to ask clerks questions when they do not find information they need on labels, and to recognize a good buy. Take them with you when you shop. Explain why you choose to buy one item over another. Then offer guidance and suggestions when children are doing their own shopping, but remember, the final decisions are theirs when they are spending their money.

Set a good example in the use of credit. Credit involves responsibility as well as privileges, so be sure to pay debts promptly. Because credit is a necessary part of living in society, avoid making children afraid of it. If children have to borrow from their parents to meet unexpected expenses, set up a definite repayment schedule to give them some practical experience in using credit.

Put Them "In the Know"

A recent study indicated that there is much less fighting about money in families where financial matters are openly discussed. Help children develop a general understanding about the family's financial picture by

allowing them to know the source of the family's income and a general "ballpark" amount figure. Most children don't want all the details of their family finances but they need to know the family, as a family, is secure. After all, family stability is probably the most important fact in their lives.

Answering your children's questions about the family's finances may be a lot like answering their questions about sex: answer the questions but don't repeat the whole book when a simple sentence or two will do the job. Ask yourself what is it they really want to know; then answer that question, but don't burden them with details they can't understand.

Family Financial Councils

Let children sit in on family discussions and decisions about how to spend the family's income. By doing this, they'll develop a much better understanding of what the family's expenses are. Such discussion can help children also to see that their wants and needs are only part of what the family's income must cover. When they begin to see the total picture, they may be more willing to cooperate with family economy moves such as making clothes do for another year, taking care of furniture, and turning down the thermostats.

A family financial council gives everyone in the family a chance to express their ideas and wishes. Children can be asked for their opinions and can help in gathering information before the family makes a decision about a big-ticket item like a new car or television set. Older children can be involved even more by helping keep family records, check writing and discussions about the family's insurance program.

A Regular Allowance

When children are old enough to tell the difference between coins and when they begin to ask for money of their own, that's the time to begin a regular allowance. Probably most children will be able to handle an allowance by age 5 or 6 but perhaps even earlier if they have older brothers and sisters already receiving allowances.

Parents and children should decide together just what the allowance covers. The amount should cover their needs and include a little extra so that not every penny is spoken for before they get it. That little extra will be what they use to practice decision making. Do they spend it on this thing or that -- or do they save their allowance for something even bigger? If all of the allowance is spoken for, children have little opportunity to practice making choices.

The amount should be a fair share as it fits into the family's total spending pattern. Also consider what their friends receive as an allowance. An amount smaller or larger than what peers receive will cause problems for your child. Remember that the cost of living for children increases as they get older; renegotiate their allowance "contract" occasionally.

At first, pay the allowance once or twice a week depending on the child's age and ability to deal with the concepts of both time and money. Always pay children on the same day. A regular income they can depend on encourages the development of realistic attitudes about money and personal finance in general.

It may be a good idea to choose an allowance day that falls a few days before most spending is likely to occur, such as on Monday if the new comic books come out on Wednesday or Thursday when you take them with you shopping. Then they'll have the experience of being faced with a variety of buying choices before the major ones come.

Don't pay for everyday chores or for good grades. Doing this encourages the attitude that everyone and everything has a price tag and that children should get paid for everything they do. Some things we do as part of our responsibility for being a family member.

Let Them Make Mistakes

Give them full responsibility for their allowance. Let them make their own decisions--and their own mistakes. When we spend money as adults, we make choices and not all of our choices will be the right ones. Learning to live with the results of a poor choice in spending money is a valuable lesson, so let children make mistakes. A parents' advice should be available at all times and may be required for some things, but remember the final decision is still the child's and if they make a poor choice, avoid the temptation to say "I told you so." Cutting the pursestrings can be as hard as cutting the apronstrings.

Keep A Simple Budget

Help them develop a simple plan for their spending. Encourage children to think of money to spend, money to save, and money to share. But remember, if they are saving and sharing (church, for instance) as well as spending money, the amount of the allowance may need to be more than if the allowance is supposed to just cover expenses.

Any records kept should be simple and should be your child's idea. We all know we are more likely to keep records if they are simple and it's our idea to keep them. It's also easier to acquire the record-keeping habit while you are young and have less money to keep track of. Children will probably be ready to keep simple records of where money comes from and where it goes when they realize an allowance has a tendency to just slip away unless they do something to keep track of it and plan its use. (See example)

MY MONEY RECORD

(Date)		
	I Planned For:	I Spent:
Income:		
Allowance	_____	_____
Other	_____	_____
Total	\$ _____	\$ _____
Expenses:		
School lunches	_____	_____
School supplies	_____	_____
Hobbies	_____	_____
Church	_____	_____
Other	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Savings	_____	_____
Total	\$ _____	\$ _____

Encourage Sensible Saving

If your five-year-old automatically squirrels every penny he gets, don't beam with pride. That's not considered normal behavior for small children. The child may need help and guidance in realizing that saving money is

just a way of postponing the pleasure of spending.

Children will be more inclined to save if they are saving for a definite purpose. But make that purpose an immediate goal rather than long range. A 10-year-old will get more excited about saving for a new bicycle than saving for college.

Give children control over their own savings. Instead of a piggy bank that must be broken to get to the money inside, a bank that locks and can be easily opened *by your child* is a better idea. If saved money is easily accessible, children may learn even more about choice making. When children are old enough to sign their names so they can be read, go with them to a financial institution to open a passbook savings account.

Use of Gift Money

Let children decide what to use gift money for, especially if it's a relatively small amount. You may want to advise them when the amount is larger, but remember the money is theirs. Let them make the decision as to how it will be used. Encourage them to show appreciation to the giver.

When They Need Extra Money

Encourage them to earn it. As they get older, children's needs will soon outstrip a parent's ability to cover them with an allowance. Within the family, come up with a business deal for special jobs which someone would usually be hired to do such as window washing. But pay only for the exceptional job and not for routine household chores. Agree beforehand just what is to be done and how much will be paid. Pay children no more and no less than what the job's worth.

If possible, encourage them to find jobs outside the family when they are old enough. Such jobs give them a taste of working for someone else and meeting the expectations of people outside the family.

Punishment or Reward?

Never use money as a punishment or reward. Children will find it difficult to learn to manage money if they are never certain some of it will not be taken away as punishment. And children who know they can always get extra money for good behavior are just as handicapped. How can they learn to manage on a certain income if they always know they can count on more money if they play their cards right?

As the parent it will probably be difficult to give children their allowances when they deserve punishment; but find some other way--some way not involving money--to punish them if punishment is deserved. Many attitudes we have about money as adults result from how money was or was not used as a punishment or reward when we were children.

What If They Overspend?

Try to find out why. Where did they blow their allowances? Do they know where it went? If not, this may be a good time to suggest keeping a simple record of their allowances. Advances on allowances are usually not a good idea. A much better idea is to find a way for children to earn the money they need.

Lost or Stolen Money

Help them to decide why the money was lost. Do they need a better billfold to carry money in? Then decide together how much was lost and replace the amount that would have gone for necessities such as school supplies. But you probably will not have to replace the money that would have gone for "extras."

Shoplifting or Stealing

Insist that the child return the money or item to its owner. Then look at the child's allowance to be sure the amount is still adequate to cover needs. Since stealing and shoplifting may be symptoms of other emotional problems, consider seeking professional help in dealing with the actual problem.

A Final Thought

A pitfall that some busy parents fall into is to use money to buy love, or substitute money for companionship. The growth of a child's emotional stability and ability to manage money are hindered with this kind of situation. There is no substitute for parental love and companionship. So set aside some time in that busy schedule for each child and that child alone.

There is no set recipe or formula for teaching children to become responsible money managers. Parents can do a great deal to help their children develop healthy attitudes about money, its purpose and limits if they remember actions and examples speak louder than words. Parents can examine their own money attitudes and practices and use ideas discussed here to give children realistic money experiences. It will pay off in satisfactions for both parents and children.

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