

# Your Financial Life

Choose a topic

-  Your financial firsts
-  Your home
-  Your children
-  Your relationship
-  Your small business

 Tweet  Recommend 284  Share  22

## 7 ways to use an allowance to teach your kids about money

August 21, 2015

Six in 10 U.S. parents talk to their children about money — yet only one in five give kids an allowance, according to a recent [BMO Harris Bank survey](#).


Talking to your kids about what things cost — and how your family pays for them — can help them understand that it takes hard work to earn money. If you've been looking for a hands-on way to teach your children the concepts of saving, earning and spending money, the following 7 tips can help you give your kids an allowance that gives them important lessons in money management:







- 1. Start small when they're young:** Generally, kids should be old enough to understand what money is and how it's used before they receive an allowance — but don't be afraid to start early. Money Management International recommends parents [give young kids an allowance that's made up of coins](#) to teach them the difference between nickels, quarters and dimes. Show them how to save their coins in a piggy bank (a see-through one helps them to see their money accumulate), help them find something small they want to save for and then help them purchase that item when they've saved enough. Check out these [5 ideas for other fun ways to get your preschooler interested in money](#).
- 2. Determine how they'll earn the allowance:** Some parents tie their children's weekly allowance to a specific set of chores done during a seven-day time period. Others feel that regular chores are part of being a member of the family, and only give kids an allowance for tasks that go above and beyond. It's up to you to decide, but be sure to set the parameters and stay consistent so your kids know what's expected of them. As your children grow older, they may have larger purchases they want to make. Consider inviting them to identify problem areas around the house, propose solutions and then negotiate the cost of fixing them in exchange for an allowance or extra spending money.
- 3. Agree on an amount:** Not sure how much to shell out? A general rule of thumb is to pay a dollar allowance equal to their age — for example, \$8 a week for an 8-year-old. However, you may want to pay older children more if you plan to have them start footing the bill for things like haircuts and car insurance. (Find out other ways to encourage responsible spending in our article on [preparing your teen for financial independence](#).) Whatever amount you settle on, make sure you clearly convey what the allowance covers, so kids are clear on how to budget.
- 4. Support solid saving habits:** When their piggy banks grow too full, help your children open a savings account with online access so they can log in and watch their money grow. A personal visit to your bank to see the vault and talk to the tellers can also be a fun way to bring basic money principles to life.
- 5. Encourage sensible spending:** Help your child distribute their earnings — a portion to their savings account and a portion for spending. Additionally, consider having them set aside a portion for charity as a way to teach them the importance of giving back. Use a site like [Charity Navigator](#) to help your child find an organization to support, based on causes he or she cares about.
- 6. Help with money management:** Don't shy away from [setting allowance spending limits](#) for books, family member gifts or other items, *Parents* magazine says, as long as your child understands the rules. To show your children how they can save to meet a long-term goal, help them identify a pricey item they really want, and teach them to estimate how long it will take them to save for it, given the amount of their allowance that's allotted for spending.
- 7. Realize you may need to adjust along the way:** You may find that your payment system ages as your children do, so feel free to make changes along the way. For example, you may want to consider moving from a weekly allowance to a monthly one when kids are about 10, according to [Good Housekeeping](#), to help them to learn to budget over time. If kids, at any point, request a raise, ask how much they think is fair, and what responsibilities they feel could be added to justify the new, higher amount.

For examples and fun educational ideas for kids ranging from 5 to 15 years old, check out BMO's [Talk With Our Kids About Money Day](#) website. Additionally, as your kids age, you can help them take their spending and saving success to a new level with our suggestions for [keeping their cell phone bill under control](#) and [teaching teens to use credit](#).

 Tweet  Recommend 284  Share  22

[Back](#)


 **Call us 1-888-482-3781**  
Mon-Thu 8 a.m.-7 p.m. (CT)  
Fri 8 a.m.-6 p.m. (CT)  
Sat 8 a.m.-1 p.m. (CT)

- ### You might also like
- [Is buying a vacation home right for you?](#) 
  - [5 tips to help you score the best sale price on your home](#) 
  - [6 ways to reduce turnover costs and keep top talent](#) 
  - [Fixed vs. Adjustable: Which one should you choose?](#) 
  - [Could a refi be right for you?](#) 
  - [4 ways your HELOC could help with hefty expenses](#) 

**Contact Us** [Phone](#) | [Make an Appointment](#) | [Locations](#)


**Follow BMO Harris**     

[Careers](#) | [Security](#) | [Privacy](#) | [Legal](#) | [Sitemap](#) | [Accessibility](#) | [About our ads](#)



Banking products and services are provided by BMO Harris Bank N.A. and are subject to bank and credit approval. BMO Harris® is a trade name used by BMO Harris Bank N.A. and its affiliates. BMO Harris Bank® is a trade name used by BMO Harris Bank N.A. Member FDIC. 

#### Notice to Customers

To help the government fight the funding of terrorism and money laundering activities, federal law (USA Patriot Act (Title III of Pub. L. 107 56 signed into law October 26, 2001) requires all financial organizations to obtain, verify and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask you to provide a copy of your driver's license or other identifying documents. For each business or entity that opens an account, we will ask for your name, address and other information that will allow us to identify the entity. We may also ask you to provide a copy of your certificate of incorporation (or similar document) or other identifying documents. The information you provide in this form may be used to perform a credit check and verify your identity by using internal sources and third party vendors. If the requested information is not provided within 30 calendar days, the account will be subject to closure.

 Third party web sites may have privacy and security policies different from BMO Harris. Links to other web sites do not imply the endorsement or approval of such web sites. Please review the privacy and security policies of web sites reached through links from BMO Harris web sites.

BMO Harris Premier Services represents a combined service approach of BMO Harris Financial Advisors and BMO Harris Bank, each a part of BMO Financial Group.

Securities, investment advisory services and insurance products are offered through BMO Harris Financial Advisors, Inc. Member [FINRA](#)  [SIPC](#)  SEC-registered investment adviser. BMO Harris Financial Advisors, Inc. and BMO Harris Bank N.A. are affiliated companies. Securities and insurance products offered are: **NOT FDIC INSURED – NOT BANK GUARANTEED – NOT A DEPOSIT – MAY LOSE VALUE.**

This information is not intended to be tax or legal advice. This information cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This information is being used to support the promotion or marketing of the planning strategies discussed herein. BMO Harris Bank N.A. and its affiliates do not provide legal or tax advice to clients. You should review your particular circumstances with your independent legal and tax advisors.