



Fact Sheet – Teaching Children Financial Responsibility

There comes a time in every child's life when financial responsibility has to be learned. It is also important that children learn the value of money. They can often also learn to be stressed about money if the adults in their life are stressed about money. They may also learn to believe that money grows on trees if they get everything they ever want, and then more.

As parents, we make children more aware of financial responsibility through a regular allowance. As long as your children live at home, it is never too late to begin the lessons of financial responsibility although starting around the age of five or six provides maximum opportunity for learning.

Having to deal with an allowance teaches money management. It is believed that kids who have to struggle with managing money may become more responsible in areas of finances and also in other areas of life.

Children do not have to "earn" their allowance. The allowance is not given for doing chores. If the child is paid for his or her own chores then the lesson of belonging and contributing to the family is voided. Instead, allowance is given automatically but the opportunity to make more money is always available for doing someone else's chores (a sibling or one of the parent's).



Give the allowance at the same time every week. This is equivalent to the weekly salary.

Make sure that you pay the child with an envelope and an invoice that breaks down the funds (for example, \$5 for being 5 years old, and \$10 for lunch money). Sign the invoice with "because you are loved, spend it wisely and plan ahead."

Never tell the child what they can or can't do with the money. Children cannot learn to manage money if their parents tell them what to do with it. Kids only learn to manage money when they face financial hardship. As long as they do not spend the money on something illegal, let them decide how and when to use it.

Be prepared for guilt, anger and "it's not fair". When your child realises that they have blown their money they will be coming back for more. Rescuing a child who has made a poor decision about money will rob them of a lesson in the value of a dollar and keep them financially dependent on you for life.



Below are some examples on how some parents have taught their children the value of money.

One couple helped their 8th grade daughter open a bank account and had an allowance deposited (like getting paid) each month. The amount of the allowance was jointly decided on by the parents and daughter. It was determined by money needed to cover clothing, activities and other routine expenses.

Their daughter learned about balancing her account and ATM fees while having guidance from her parents.

Another family used eating at restaurants as a way to teach their children about the value of money. When the bill came to the table, the children added it up to make sure it was correct and figured out the tip. Then the children would bring the money to the register to pay.

In one family, pizza was always the Friday night treat. Dad would only let them order pizza if they could come up with a pizza coupon. There were always pizza coupons to be found in desk drawer by the phone in this home.

Another family planned their vacations with their children. They let them in on how much they had to spend on accommodation, transportation, meals and entertainment. They showed them choices available. This helped their children see the trade offs such as 2 weeks of camping versus a shorter visit to a Resort.

To make saving money an incentive parents in one family offered to match savings. This worked well to encourage their children to save a portion of their allowance or save all or part of gift money from grandparents for something special they wanted.

As you can see, there are many ways you can help your children understand the value of money.

Disclaimer

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