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Kids got \$500 in allowance last year. Here's how parents are using it to teach them about money

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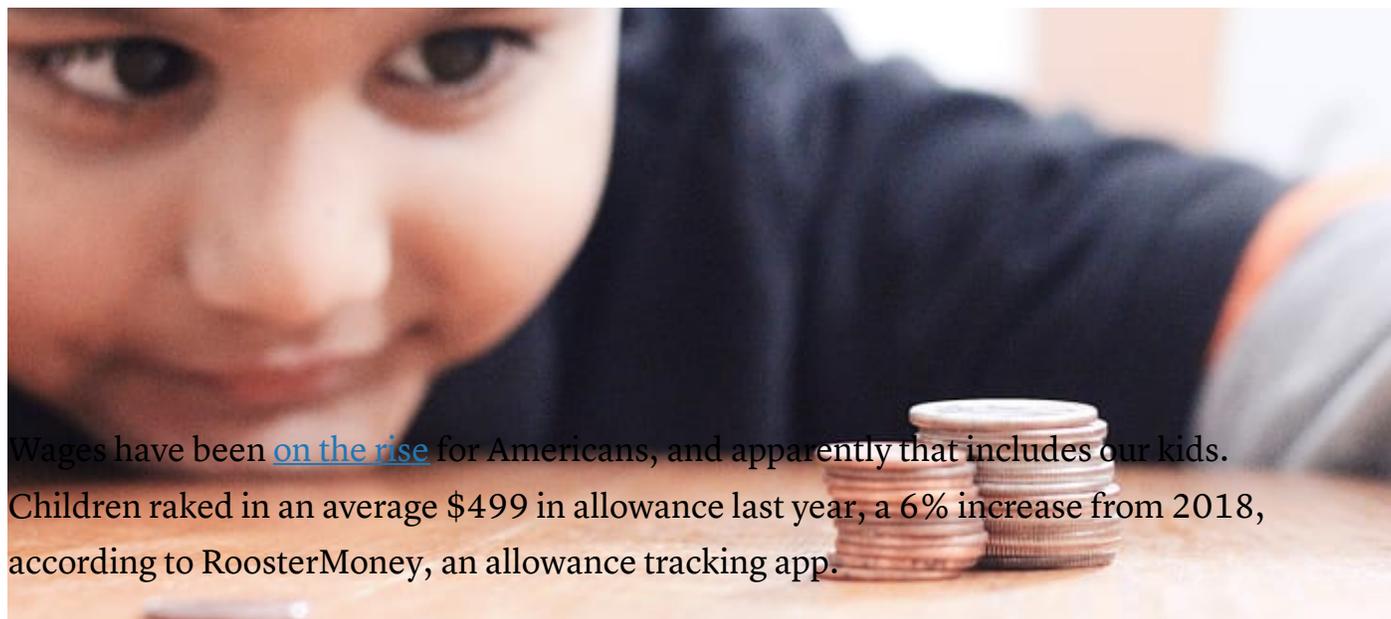
KEY POINTS

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Nearly 7 in 10 parents gave their children a regular allowance last year.

Experts say that giving kids allowance, or letting them earn money for chores, is an opportunity to teach them financial literacy.



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Wages have been [on the rise](#) for Americans, and apparently that includes our kids. Children raked in an average \$499 in allowance last year, a 6% increase from 2018, according to RoosterMoney, an allowance tracking app.

The app shows children start receiving allowance around age four, with younger children often starting to get an allowance when their siblings begin to receive it. The weekly allowance rate correlated roughly to \$1 per year of the child's age. Four year-olds, for example, received an average of \$4.18 per week, while 14-year-olds pocketed an average \$13.87.

Nearly 7 in 10 parents gave their children a regular allowance last year. Experts say that giving kids allowance, or letting them earn money for chores, is an opportunity to teach them financial literacy. That's because kids who get allowance get hands-on experience when it comes to saving, spending, and managing money.

“It's not that the allowance that a kid gets when they're 11 is going to be the dollars that make them a millionaire,” says Clark D. Randall, a certified financial planner and the founder of Financial Enlightenment in Dallas. “But the habits that they form from managing it will allow them to be financially successful in life.”

Here's how to get started:

Set expectations (for both of you) upfront

Let your child know how much you'll pay them in allowance each week or month, and



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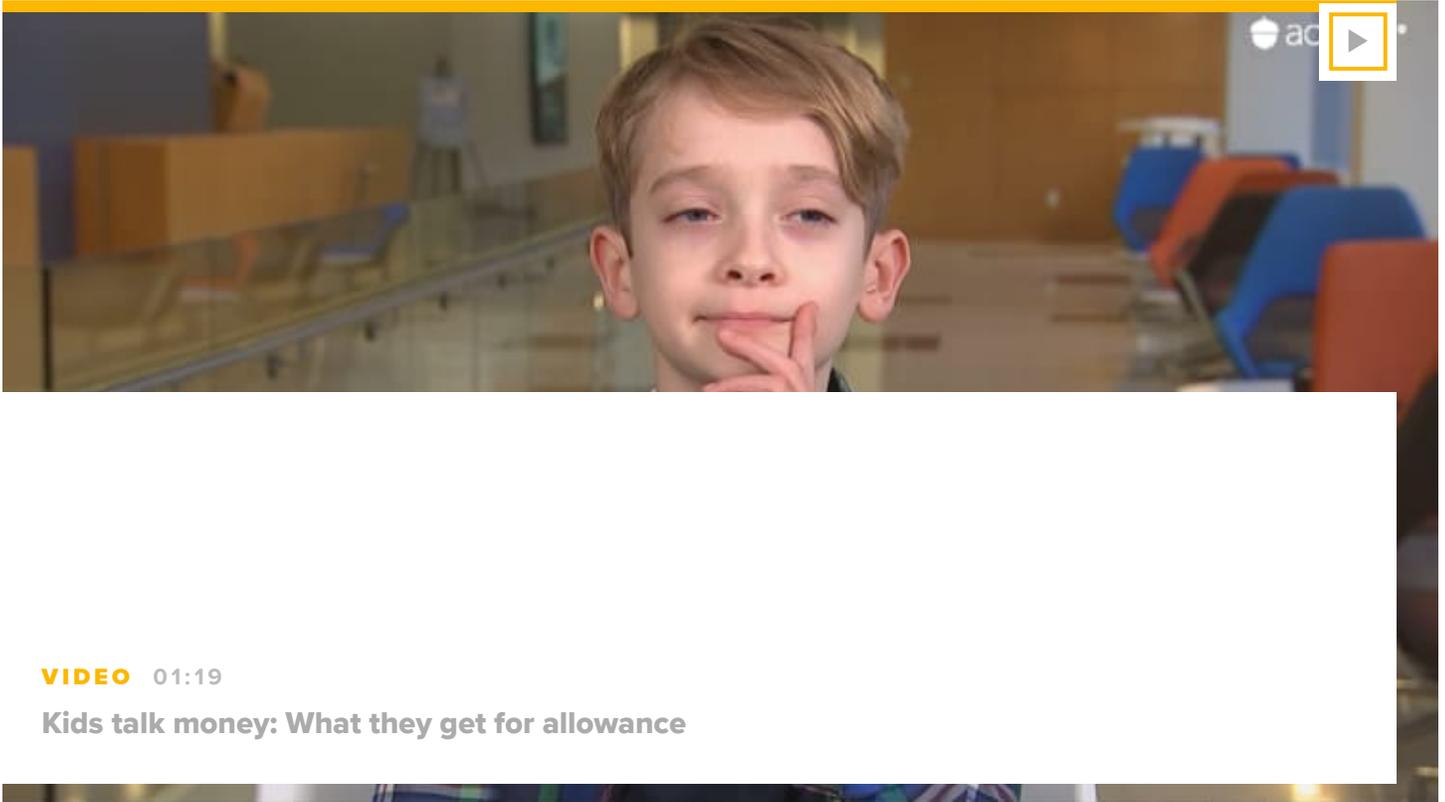
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“You want them to get used to, and expect a precise amount on a precise schedule,” says Laura Levine, president and chief executive of the Jump\$tart Coalition for Personal Financial Literacy.

You’ll also establish what (if anything) they’ll need to do in order to receive it, and how you expect them to spend their money. While kids will learn the most by being able to decide how to spend their money, you’ll also likely still want to put some ground rules in place. Levine, for example, allows her 14-year-old son to purchase video games with his allowance money, but requires that they’re not rated “Mature” or “Adult.”

Consider digital options

For older children who have cell phones or other devices, you might consider using an [allowance app](#) such as RoosterMoney or Greenlight. Using an app means that kids will get



While physical money may be a helpful teaching tool for very young children, older kids will need to know how to handle their money virtually, as society moves becomes increasingly cashless and banks and fintech companies launch new methods of sending and receiving money. Learning to do so shouldn't be too heavy of a lift for them, given that they already spend much of their life completed tasks via mobile device.

Encourage entrepreneurialism

Kids want more money than you've agreed to pay them in allowance?

If that is the case foster creativity and help them think about other ways that they can earn additional money, such as taking on extra chores or selling toys or other items that they've outgrown.

Among the kids in the RoosterMoney survey, mowing the lawn was the most lucrative chore, netting kids \$7.53, and it was most commonly completed by 12- to 14-year-olds. Popular chores for younger children included tidying up toys, making the bed, and brushing their teeth. Cleaning their rooms and helping with laundry were the top two chores across all age groups. Eight-year-olds were the most entrepreneurial group, selling old games and books for an average \$17.29 per sale.

Incentivize savings

Kids may actually be better at saving their money than their parents. They saved an average 41% of their allowance last year, according to RoosterMoney. Encourage the habit by helping them pick short-term, achievable savings goals. That way, they'll be able to experience the "win" that comes from saving their money to purchase something that they really want. The most popular things to save for last year were Lego sets, phones, and the Nintendo Switch.

You can also help promote savings by offering incentives, such as matching up to a certain

amount. The amount saved in 2019 was \$1.1 billion, a 10% increase from the previous year.



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and get into the habit of saving.”

Let them make mistakes

At some point, your kids will make a mistake with their money. That might mean that they've spent their entire kitty and then don't have enough cash to buy something they want later. Or maybe they buy a poor quality item and experience buyers' remorse. Resist the urge to sweep in and “fix” the problem by giving them extra money or to prevent them from making any mistakes with their money in the first place—though you can talk through the decision and potential consequences ahead of time.

They'll learn a valuable lesson by experiencing money mistakes now, when the stakes are low. The goal is for them to remember those experiences and rely on them later in life—when the stakes are much higher. You'd much rather your child learn the pain of blowing a budget by overspending his allowance, after all, than overspend the rent or grocery money.

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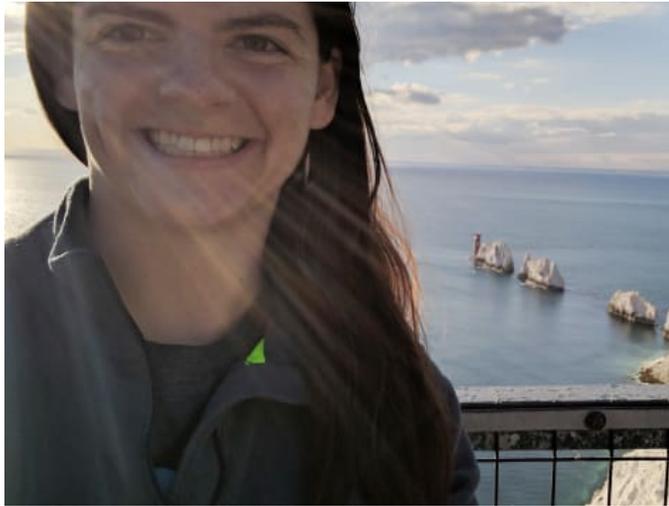
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