



Extension

UNIVERSITY OF WISCONSIN-MADISON

Parenting the
Preschooler



Allowances

The goal of an allowance is to help children become comfortable with making basic money decisions, such as comparing smaller versus larger amounts and how one decision can affect many other decisions.

- Use an allowance to teach about money and making good financial decisions. Do not tie allowances to completing chores, good behavior, or good grades in school.
- Begin giving an allowance around age 5. Children begin forming positive habits at this age and will gain valuable knowledge about decision making.
- Use the money to teach about financial decision making and financial concepts.
- Create a regular routine around the allowance by giving the same amount on a scheduled day.
- Allow the child to decide what they want to do with the money.
- Use separate clear jars for savings, spending, and donating. They will quickly see how money adds up and goes down over time.
- Include them in household budgeting and decision making to build a sense of larger financial challenges.
- Gradually increase the amount as they mature and become better at money decision making.
- Open a savings account with them at a financial institution and encourage them to save a portion of their allowance.

Children learn from watching and listening to the behaviors of their parents. Creating a positive relationship with money at a young age can help children make sound financial decisions throughout their life.

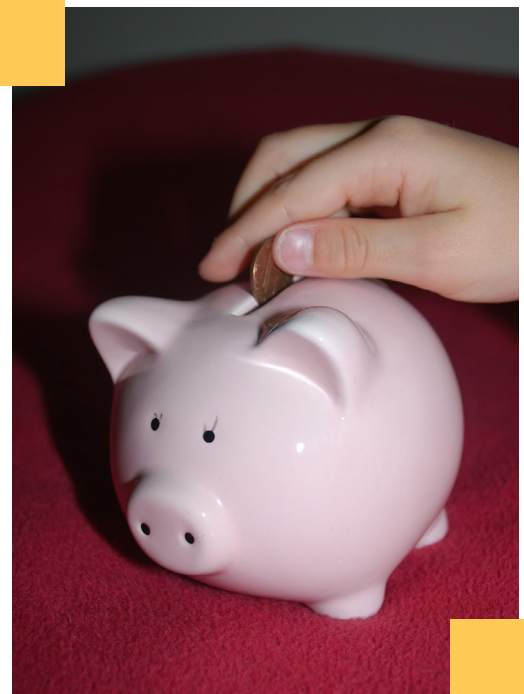


Photo by Gaertringen from Pixabay

Guide children in learning the options for their money. Deciding how to use their allowance will build a sense of responsibility and create new learning experiences. Kids will make mistakes when first given an allowance but over time they will learn important skills about finances.



Photo by Karolina Grabowska from Pexels

Allowance giving works best if:

Adults...

- Have discussed basic money skills
- Will give a consistent amount on scheduled days
- Recognize the child's unique attitude towards money
- Are willing to let the child make and learn from mistakes
- Gradually increase the amount based on the child's age and maturity

Children...

- Can accurately count
- Recognize different coins and bills
- Are willing to share
- Understand basic money concepts
- Are allowed to decide how to use their money