YOUR CHILD
and his
MONEY

Circular 741
UNIVERSITY OF ILLINOIS
COLLEGE OF AGRICULTURE
EXTENSION SERVICE IN AGRICULTURE
AND HOME ECONOMICS
This circular is intended to help parents understand the place of money in a child's life. Many of the irritations, anxieties, and stresses that money causes can be lessened through better education about money at home. Those who learn how to handle money when young have a better chance of getting the comforts and economic security they want when they are older.

Learning to manage money is, of course, only one part of a child's development. If all the other areas of a child's life are developed in a wholesome and practical way, parents are likely to find that much of the child's education about money will take care of itself.
YOUR CHILD AND HIS MONEY

BY Margueritte Briggs and Catherine M. Sullivan

You want your child to regard his money sanely and use it wisely. You hope he'll recognize without being unhappy about it that there is almost never enough money for everything, and that it is necessary to decide which needs are imperative and which luxuries will bring the greatest satisfactions. You want your child to enjoy spending his money, but at the same time you want him to think of the future and save. You'd like him to be generous though not extravagant, sharing with his family, his friends, and those less fortunate.

It's a big order and you may wonder whether you can meet it. You'll not be meeting it alone, for the way your child feels about money and what he does with it will be influenced by his friends, your friends, and his school, and by the amount of money everyone has to spend. But most people interested in family relationships believe that you can do more than anyone else to guide him in using money in a way that will help him form the right attitude.

How soon should you begin? As soon as your youngster can understand the transaction involved in buying a lollipop. But if you've let the early years slip by, don't be discouraged. Whatever their age, you can help your children through example and advice; you can let them see money used; and you can let them use money.

Where the Money Comes From

Give your child an allowance

Let him consider it his share of what the family has to spend. With a regular income, small though it is, he'll learn gradually how to use money. Start his allowance when he is six or seven or as soon as he begins to take an intelligent interest in money. At first, since he is

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Children learn about good money practices when they have a chance to help study the family's budget book and to share in the discussion of money plans.

learning, the allowance should be small, but from the very beginning it should be given regularly, once or twice a week. Be sure he understands what it is to cover and how often he will receive it.

If you think you can't afford an allowance for your child, keep a record of what you give him during the week for school expenses, for minor clothing needs, and for entertainment. Given in the form of an allowance, this amount will be no greater, and he will have the experience of managing money.

You are giving your child enough allowance, whatever his age, if the sum meets his actual needs and gives him a little to satisfy his personal desires, a little to share with his family and friends, and something to save for future satisfactions. If your child is earning or has other sources of money, you may want to make some adjustment in his allowance.

The age of your child, the amount of responsibility he is able to accept, and your own financial status will enter into deciding the exact amount of his allowance. Fifty cents a week may be all you can afford or all your eight-year-old can manage. Or for an older child you may want to go as high as fifty dollars a month, as the Green family did. They feel that their thirteen-year-old son is capable of
managing money and this year decided to give him $600. John buys his clothes, pays his education insurance, and participates in all family expenses that involve him, excluding his room and board.

Not all teen-agers have enough financial ability to manage $600 a year, and not all parents share the Green family's confidence. Handling small amounts, however, will develop a child's skill in managing money, and as he learns, the amount given to him can be increased as his skill in managing money increases.

Don't use your child's allowance as a spur or a club. You are giving him an allowance because he is a family member with all the rights of a family member, including a small share of the family income.

You should not withhold his allowance when he shirks tasks assigned to him any more than you would withdraw other rights for the same reasons. Withholding his allowance frequently as a punishment may develop in a child an attitude that money is a powerful ammunition that adults use at their convenience. He is likely to be impressed too with the idea that any situation can be measured in terms of money.

When you stop your child's allowance as a disciplinary measure or increase it as a reward, you are losing sight of your real purpose—to teach him to use money well.

Let him earn a little

Money which your child earns often gives him a greater sense of freedom and recognition than that which is given him. Earning money is good as long as the work is not too strenuous and there is still time for your child to study, to play, and to take part in family activities, family tasks, and school life.

Should your child be paid for work at home? If your answer is "no," since you feel that such work is his responsibility as a member of the family, make a special effort to see that he gets an occasional chance to earn a little outside the home. If your answer is an unqualified "yes," you may find your child becoming very businesslike, bargaining for the easiest jobs and refusing to work when the price is not attractive. Then your only course is to be equally businesslike and pay only for work that is well done. Many parents have solved this prob-
When a young person earns some of his own money, he is likely to make better use of it than he would otherwise.

Let him use gift money

With birthdays and Christmas, visiting relatives, and family friends, your child may often receive money as gifts. Remember that it is his money, and you should not arbitrarily dispose of it for him, even for such worthy purposes as a college savings account or some expensive dental work, unless it was given to him for that purpose.

On the other hand, don't think of it as a windfall for your youngster to waste. Instead, consult with him about what to do with the money. You can help him if you understand how he feels about the gift and if you know what his present needs and wants are. One young
mother remembering her own childhood said regretfully, “Mother and Dad always banked my gift money. At times I needed clothes very badly, and a coat or a dress would have meant so much more than a growing savings account.”

Perhaps your child will want to save part of his gift money and use part for clothing, books, or hobby equipment. If he has money boxes for various projects, he may enjoy portioning it out. Again he may find the greatest satisfaction in using the whole sum for a trip—to the state fair, to the home of a favorite relative, or to 4-H camp. He must be satisfied with the use made of his gift money, or for him the gift will lose its meaning.

**Using Money**

**Let him spend**

Your child must have experience to develop his philosophy and pattern of spending. Give him money to spend for necessities as well as some for toys, shows, extra clothes, or tools. Don’t be surprised if he sometimes disagrees with you as to what are necessities. You may believe in buying a really good blouse, but your daughter may prefer one with less quality so that she can afford a scarf to go with it. She may be right, but if she is wrong, let her find out herself. Choice-making is not learned in one effort. Set some limits at first so that not enough money will be involved to make your children too unhappy when they make mistakes in judgment.

**Teach him to save**

Let your child be a part of the family discussion when the subject is saving. But don’t expect him to appreciate the value of saving for some vague or far-distant goal. He can understand saving for something near and definite, such as a new car or a television set, while saving for family security is still meaningless to him.

Don’t emphasize saving to the point that your child saves when he might better spend. Let him know that there are expenditures he should make and that he has obligations to himself and to others. You do not want your child to be like the girl who always forgot her purse.
Buying some of the family's groceries gives this boy a grown-up feeling while it helps to develop his skill in using money.

when the family went to the fair or the boy who drank colas as long as his chum paid for them and then switched to water.

On the other hand, remember that your example either encourages or discourages your children in ways of thrift. If you regard saving as something you will do in the vague future, your child will regard it with an equal lack of interest. Find the middle road in saving.

**Encourage him to share**

If your child is to grow into a generous, considerate, and confident person, he needs to know that money can provide satisfactions beyond those of earning, spending, and saving. With your help he can learn to share and to enjoy sharing with his family, with his friends, and even with people he does not know and may never see.
How can your child share his money? Within the family he can buy treats that can be shared, he can contribute to family projects, and he can buy gifts for birthdays and special occasions. Taking his friends to the movies, buying his share of soft drinks and candy, and buying gifts for birthday parties help your child become a more social person. Your church and school also give opportunity for helping him to share with those outside his own family and friends.

In sharing as in spending, your child will need to make choices. He will have to decide when to share his money and how much to share. You can help by letting him see how you share your money. Let him see also how you share your time, energy, and skills so he will appreciate the fact that while sharing money is often the easiest solution, it may not be the best or the only one. When he shovels snow for elderly Mr. Smith, for example, he is sharing his time and energy. But if he is learning to share in this way, he is also probably learning to share his money.

Praising him when he does something generous will encourage him to continue in the right direction.

By helping to do a job like this around the home, children find out that sharing work can be fun. At the same time, they are helping the family save money for other things.
When Your Child Is Small

Long before receiving an allowance your child needs many and varied experiences with money. When you drive the car to town, he'll enjoy picking out the pennies from your purse and putting them into the parking meter. He'll feel important going to the door with change for the paper boy. And carrying a few pennies to jingle in his pocket will give him a grown-up feeling before he is interested in actual buying.

Allowances

At three or four your child usually won't be much interested in allowances. He may be interested, however, if his brothers and sisters are receiving them. Then you can work out a system of small payments for him two or three times a week. Just as starting to school is something a child knows will happen when he reaches a certain age, so an allowance which he must manage himself can be something for him to anticipate. Because of his experience with other children, one child may be quite ready to manage an allowance when he starts to school, while another may not be ready and will need more of your help and understanding.

Earning

The small child who helped his mother with the dishes and then asked for a penny may have been a psychologist in the making or a very good businessman. At least he gave his mother a starting point for giving him money of his own. When this sort of thing happens, you can avoid establishing the pattern of paying for work at home by saying to your child that he is old enough to have some of the family income for his own. You can develop the idea that having money is part of growing up, and that helping with the daily chores is another part of growing up.

Spending

As he spends small sums, your child will gradually learn the value of a nickel or a dime in relation to other money. Don't expect him to attach the importance to a penny or nickel that you did at his age. But neither do you want him to value money as did some of the
3,620 six-to-eleven-year-olds in a study reported by the University of Pennsylvania. A fifth of the children believed that a penny was hardly worth bothering with and 2 percent thought a nickel was valueless.

When your small child spends, he needs some freedom of choice. Gradually he will progress from deciding whether to have an ice cream cone or a box of animal crackers for his dime to a more difficult decision such as choosing between making several purchases with a quarter or spending it all at once. When he has decided, give him a chance to spend his money personally. Be sure that once he has spent his money he does not cajole you into giving him more if he is not satisfied with his choice.

A little lady with her own pocketbook and her own money. But there are so many good things to buy with a whole dime!
Saving

Children can start saving at an early age. A toy bank that rings a bell when your child has saved five nickels or a crystal pig that he can watch grow full will make saving fun. Don’t urge him to save any large amount for he will lose interest before he sees results.

Sharing

When he has a dime to use as he wishes, occasionally suggest the possibility of spending it for something he can share with you, his brothers or sisters, or the youngster next door. Always accept with a show of pleasure the things he wants to share with you.

Your youngest may need a little help to keep him from feeling he should have special consideration or to keep him from being imposed upon. Again if yours is an only child, he may by turns be too eager to spend and too afraid to share. Children need many experiences with money before they can work out a good balance of spending, sharing, and saving.

Now He’s in School

Allowances

When your child starts to school, you will have a better idea than he of what his allowance should cover, but leave the way open for adjustment. If your youngster is always in need of money, it could be that the original amount wasn’t enough or it could be that he is not spending according to plan. Checking where the money is going may help you and your child find the difficulty.

Since money needs do not always remain the same, neither should your child’s allowance. As his interests and activities expand, he will need more money. Some families regularly look at their financial situation in relation to their present activities in order to make changes. When that happens, your child’s financial needs should be considered too.

Keep in mind that your child’s financial problems are just as real to him as yours are to you. With this understanding you are equipped to help him make wiser choices in using his money.

You may find, as many parents do, that 25 to 50 cents a week is
a satisfactory amount of spending money for six- to nine-year-olds. On special occasions, school entertainments for instance, you can supplement the sum. If there is any fixed need such as buying lunch at school, you will have to allow more. As he grows older, you may want to increase your child’s share of the family money to 75 cents or even to one or two dollars a week.

Is it wise to pay for good grades?

When your child is ready for school, you may feel that now you can give him an opportunity to earn — you can pay him for making good grades. This is usually a mistake because doing as well in school as the child is normally capable of doing is one of his responsibilities. It is not a task that should carry a money reward.

Paying for good grades makes them an end in themselves when what you actually want is a well-educated child who has broad interests and not just an impressive report card. When children are paid for bringing home good grades, they frequently resort to bartering and in some cases to unfair means of getting their rewards.

Earning

What are your grade-school youngster’s opportunities for earning? They will differ with the family situation, his age, his health and abilities, and the community. If you live on a farm, he has a unique opportunity — he can share in the farm enterprise. He may progress from the simplest of jobs in a major enterprise to a junior partnership. Such projects have the advantage of demanding increasing responsibility and providing increasing returns. If your child is part of the farm business, he will learn something of the problems that arise when economic conditions change.

In town your boy may earn his money from a paper route, from doing errands, and from Saturday and after-school jobs. Your girls may find earning more difficult, but boys have no monopoly on paper routes, just as girls have none on baby-sitting.

One eleven-year-old boy found he could make very handsome lap boards with a little help from his father in their basement workshop. At two dollars a board he did a brisk business around Christmas. Another lad, bored with shoveling walks for extra money, peddled neatly packaged cinders during the winter season. These were in great demand among car drivers.
Susie finds that when she divides up her money in this way, it is a lot easier to keep things straight and not run out too soon.

**Spending**

Your child is already used to making choices as he spends. Now that he is in grade school, help him find a system for dividing his money according to his needs. For instance, he may use a set of labeled containers — jars, boxes, whatever appeals to him — in which money for school, movies, and church can be placed. If he has a special project, there can be a container for that.

One parent planned with his nine-year-old as follows: weekly, $1.25 to be spent for school lunch, 35 cents for school supplies, personal needs, and treating his friends, 10 cents for Sunday School, 10 cents for saving, and every other week 75 cents for a haircut. This youngster is well aware of his financial situation and weighs buying and saving, often to the amusement of his parents. Frequently he lets his hair grow to save for something he considers more important than a haircut. Show attendance dropped off when he was told that the admission fee was to come from his 35 cents personal money.

When his allowance has been increased to include major purchases, let your child make his own choices as often as possible. True, you may spend all your Saturday afternoon shopping with John to
spend his birthday five dollars, and you can buy a blouse for Sue in half the time it takes when she goes with you. But look ahead. John and Sue will have their own paychecks some day. They are likely to spend them more wisely if they have had practice in making choices.

Your children will soon discover there are other ways of buying than with cash. Even if yours is a pay-as-you-go family, your children may want to explore the world of credit. When your son submits for your approval a credit plan for buying a new bike to use on his paper route or a calf for a 4-H project, your responsibility is to keep his plan reasonable and practical. Be sure he understands just how and when the money must be returned and some of the sacrifices he will have to make.

**Saving**

Your child's first interest in saving may come when he wants a cowboy hat like the other fellows are wearing. You can help him plan how much he must save from his allowance and how long he will

Going to a "big" bank as her parents do gives a child some experience in practical living and a feeling of importance.
need to save. If you are willing to contribute, tell him so at the beginning rather than come to his rescue at the last moment.

There will be times when his allowance is all spent and an attractive invitation to go camping or to attend some school event may make your grade-school youngster wish for an emergency fund. Suggest that he start a savings account from his next week's allowance and go with him to the bank to establish it. You will find the personnel at your bank interested in your child's account and willing to help him learn good banking practices.

**Sharing**

Remember your child's birthdays and encourage him to remember those of his family and friends. Let him buy gifts for Mother's Day and Father's Day and Christmas. When it's his turn, let him treat the gang.

Contributions to Sunday school, church, 4-H Club and Scout projects, and Care packages take him beyond the circle of those he knows into a broader concern for the welfare of others.

**He's Almost Grown Up**

**Your teen-ager and the gang**

At no age is the compulsion to conform to the group so great as during the teens. How your high-school student obtains his money and how he uses it will depend to a great extent on what other young people are doing. The reaction to group pressure varies with individuals, but all are affected by it.

You cannot expect your high-schooler to always stand alone, refusing to spend on formal dances, clothes, or cars if all the others insist these are required expenditures. However, one of the signs of strength in the teen-ager is his growing ability to evaluate and upon occasion resist group pressures.

There are two ways you can counteract group influences that you feel are bad. One is to get a group of parents, either an organized or an informal group, to consider together the problems facing their young people. When enough parents unite on a definite program, a desirable group pressure is created. A second way of starting such
pressure is to get young people, their parents, and perhaps their teachers to come together and talk over the issues. After all sides of the problem, including that of the teen-agers, have been presented, a satisfactory solution can often be found.

Allowances

By the time your children are in high school they may be earning money in sizable amounts. Should you stop their allowances because they can earn, or increase them because they need more money than ever before? The answer depends on the amount of money available in your family and the use your teen-ager is making of it.

If he is using his money well, there is no reason for stopping his allowance, providing, of course, that giving it does not deprive some other family member. Some parents increase the allowances and the responsibilities of their high-school children, letting them buy more of their clothes than formerly, pay their insurance, maintain a savings account, and take care of their dental expense. At the other extreme are families who do not provide an allowance but do expect their young people to share their earnings to help meet family obligations. Whatever your plan, your child should be consulted and his feelings and interests considered.

When your family consists of several teen-agers, some earning outside the family and others contributing to the work within the home, you will have to plan with these young people and work out a system that is fair and agreeable to all of them. Your children are more likely to assume their share of responsibility when they understand the family's financial situation.

Earning

Young people are under so much pressure to spend that most of them are eager to earn. Try to keep your child from working such long hours or so hard that he has no time or energy for school activities, home life, and social experiences. On the other hand, don't let him develop an attitude of doing as little work as possible. Your teenager will have to decide how much time he requires for his school work, extra activities, and his obligations to his family and friends. Encourage him to talk over his problems with you, his adviser at school, and others in whom you both have confidence.
Working for an employer outside the family gives a young person confidence in dealing with other people and some knowledge of what is expected on both sides of the employer-employee situation. If your children are working with you in the farm enterprise, you can still be businesslike. Don’t impose on them and don’t let them shirk their tasks. Make definite contracts; don’t just give what you feel like sharing after the corn is sold or the hogs have gone to market. Young people are likely to prefer the most menial of jobs with steady pay to such uncertain prospects.

If your child works away from home during the summer, you might suggest that he vary his jobs. Through vacation work he may find the career that appeals to him. Hospitals, theaters, playgrounds, resorts, and factories offer summer opportunities.

Some teen-agers have developed successful businesses from their hobbies; others are cashing in on skills and abilities. Don’t take their ideas lightly. If your daughter thinks she can turn her ability to wrap gift packages beautifully into a source of income, encourage her to be businesslike in studying her market, in setting her prices, and in advertising her services. Be her consultant in considering the advantages and disadvantages of her venture. If she needs capital, advance money on strictly business terms or help her get a loan at the bank.

In determining how much your child should work, think of how he is earning his money, how he is using it, and how his work fits into his program of activities. Important as his contribution may be toward balancing the family budget, even more important is developing in him an attitude of giving his best to his work and finishing the job he has begun.

**Saving**

For successful saving your teen-ager needs a purpose, a plan, and resources. Reasons for saving are not hard to find. Most high-school students look forward to vacation trips, summer camps, or college. They like clothes, and many have hobbies for which they need equipment. Encourage them to choose definite goals and you’ll be discouraging wasteful spending and the attitude of keeping just enough ahead for the next date.

Since systematic saving is the most effective way to save, talk over plans with your teen-ager. Shall he save by the week or by the month?
Where can he best keep his money — in government bonds, postal savings, the building and loan company, or the bank? If your child is normal and healthy, he is fairly certain to have something to save either from his allowance or from his earnings, and it’s up to you to help him decide what he wants to save for and to work out a plan.

Sharing

For your high-school student, sharing becomes more complex, and in many ways much like your own. He still has responsibility for individual sharing, such as giving to his church and other more personal sharing. He should also be encouraged to take part in more organized means of sharing. These might include helping to manage the funds for the youth center or the extracurricular-activity fund.

Even in these organized programs, there will be instances of spontaneous sharing by the group. Such was the case of the senior class who decided to give the funds for their class trip to their adviser when her home burned. The important idea in such sharing is that it be done within the budget of the student. There are many times when the whole family can take part in sharing, but for the senior class mentioned above, the project would have lost its point if the parents had been solicited to help out.

Because your teen-ager is sometimes an adult and sometimes a child in his behaviour, it is part of your job to point out to him opportunities for sharing so he will know he has your approval when he does share with others.
Your child's first nickel . . .

His first allowance . . .

The first money he earns . . .

Each offers to him and to you a new opportunity. Each gives you a chance to guide him in the wise handling of money, so that the judgment with which he manages his money will grow with the amount he has to manage.

Teach him to spend without being wasteful, to save without being stingy, and to share what he has with others. Teach him to value money for what it can do, not as a thing in itself.

If you train your child in sound financial habits, he will be better equipped to solve many of the difficult problems of his adult life.