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Making allowances

Should a child get one? How much and when? Old questions take on new importance for families in tight times.

By Anndee Hochman

For The Inquirer

Livia Leigh Stites isn't quite certain of the difference between a dime and a quarter. She doesn't yet know that 100 pennies equal a dollar. But she is sure of one thing: She wants Ginger Kitty. She *needs* Ginger Kitty.

Her parents, Cheyenne DeMulder and Shana Stites, think the \$20 stuffed animal is a little pricey for a 4-year-old. That's why they unveiled the blue plastic piggy - a bank with separate slots for spending, saving, donating, and investing. And that's why they decided, this fall, that it was time to start giving their preschooler an allowance.

"I don't feel like she needs another stuffed animal," says DeMulder, 31, a stay-at-home mother in Mount Airy. "But if she feels that's important, she can save up for it."

It will take a while. At the moment, just a few coins are pooled in the piggy's stubby feet. But DeMulder and Stites are hoping this early lesson in desire, resources, patience, and limits will have long-term effects.

In these recessionary yet acquisitive times, families of all stripes - wealthy, strapped, or in between, with kids from preschool age to college - are wrestling anew with an age-old issue: the allowance. With the aid of new books, websites, and online "allowance calculators," they're attempting to pass along not only easy cash but also hard lessons about work, reward, and how to prevent a personal financial meltdown.

"Given the current state of the economy, it would be good to encourage kids to become wiser about learning the value of purchases," says Amy Nathan, author of *The Kids' Allowance Book*.

Financial experts say an allowance is the ideal learning tool. Before kids make real-life financial blunders - say, taking on an adjustable-rate mortgage they can't afford - let them practice saving, spending, and, inevitably, squandering, small amounts.

Without a need to budget, says Janet Bodnar, editor of Kiplinger's Personal Finance magazine and author of *Raising Money Smart Kids*, kids will spend unlimited amounts of money - "as long as it's yours."

Wes Burnett and Mark Cohen, coauthors of *Lessons to My Children: Simple Life Lessons for Financial Success, Wealth and Abundance*, note that allowance shouldn't be extra cash ladled on top of what parents already dole out - for school lunches, popcorn at the movies, birthday gifts for friends, Silly Bandz, video games. An allowance, they say, should shift some of the spending, along with some of the responsibility, from parent to child.

That idea appealed to Alyse and Bill Halpin of Bala Cynwyd. At 7, their son, Eoin, was "always asking for money." Alyse, a middle-school teacher, and Bill, a home contractor, settled on an allowance determined by a popular rule of thumb: a dollar a week for each year of the child's age. They required Eoin to put aside one dollar of his weekly \$7 for savings, and another for his Hebrew School's tzedakah, or charity, collection.

With the remaining \$5 a week, Eoin saved for a pair of black leather cowboy boots. In recent years, with his allowance supplemented by a job walking a neighbor's dog for \$5 a day, Eoin has bought video games and a 32-gigabyte iPod touch. He saved his own souvenir money for a family trip to Europe over the summer.

This fall, the Halpins are trying a new system: Eoin, now 12, gets \$78 at the start of each month, with portions designated for savings and charity. The rest is his to budget for school lunches, snacks, some gifts, and any coveted big-ticket items.

"The system is great, in my opinion," Eoin says. "It's more money than I was getting before, and it's the next level up toward what it's going to be like after college."

"I, too, worry about money management and the fact that, if adults - bankers and all - go a little crazy with large sums of money, what can we expect teens to do?" says Alyse Halpin. "But the allowance is part of a larger conversation about independence that is changing as Eoin gets older."

Those kinds of discussions about responsibility, trust, limits, wants, and needs are another benefit to giving an allowance.

"It teaches kids negotiation skills," says Marsha Weinraub, a professor of psychology at Temple University who has written about parent-child relationships. "If it turns out a decision about allowance is not working, you can have a discussion to talk about a change."

In the United States, the practice of allowance-giving goes back at least a century, to the advent of child-labor laws, an influx of new manufactured goods, and a shift in attitudes about the value of children, says Viviana Zelizer, a sociology professor at Princeton and author of *Pricing the Priceless Child*. Gradually, children stopped being contributors to their family's wealth and became recipients of that wealth: mini-consumers in the making.

Yet in those 100 years, the questions about allowance haven't changed much, Zelizer says. What if kids squander their money? What is the right amount? And - the perennial debate - should allowance be tied to chores?

Parents, psychologists, and financial experts are split on that one. Those in favor of an

allowance/chores connection argue that, as in real life, money is a reward for work. People in the other camp say household chores shouldn't carry a prize; they're simply what you're expected to do as a member of a family.

That's what Mari-Carmen and Tatum Farmer of Wynnefield Heights believe. Their kids - Daniel, 15, and Joycelin, 10 - have a weekly docket of household responsibilities, including cleaning their rooms, the kitchen, and the bathroom; emptying trash and recycling; and caring for the family's dog, an African hunting hound named Jackson Miguel. They don't receive an allowance for doing those chores. They don't receive an allowance at all.

"I wasn't raised with allowance," says Mari-Carmen, 39, a labor and delivery nurse at Pennsylvania Hospital. Her father, born in Spain, and her mother, from the Dominican Republic, "thought it was a very American custom, and out of order for a family."

Daniel and Joycelin do have money of their own: Daniel rakes leaves and shovels snow for neighbors for \$5 an hour, while his sister gets small amounts of money from her aunt for kindnesses "like painting her toenails." Both kids receive money from relatives as birthday and Christmas presents, and when Joycelin was 8, her church awarded her a \$260 honor-roll prize. She used some of it to buy a skateboard.

"We were always taught that we should save some of our money," Daniel says, remembering that he once squirreled away nearly \$100 for a school book fair. Now, his parents require him to save 10 percent of his earnings and set aside another 10 percent for charity. He gives 10 percent "to the house" to help cover expenses such as his cell phone and soccer equipment.

Both Daniel and his sister are reflective about needs, wants, and the meaning of money. "I guess I'd rather have an experience than a thing," Joycelin says. "I wouldn't want to lose, break, or outgrow the thing. But you can keep the experience."

"I know kids who don't see what something is really worth," says Daniel, who trades in used books for store credit and buys discounted video games instead of the newest versions. "They just assume they'll get it. But I have to get it myself. It's shown me what I really care about."

The Farmers' money policies reflect their deepest values. "The idea," says Tatum, 36, a Unix specialist for Independence Blue Cross, "is that what comes into our hands is a blessing. If there's a goal, it's to understand that money is a tool. It's not an end. It's not happiness. You can use it to help yourself, and to help others."

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