

How an Allowance Helps Children Learn About Money

This is the VOA Special English Economics Report.

Many children first learn the value of money by receiving an allowance. The purpose is to let children learn from experience at an age when financial mistakes are not very costly.

The amount of money that parents give to their children to spend as they wish differs from family to family. Timing is another consideration. Some children get a weekly allowance. Others get a monthly allowance.

In any case, parents should make clear what, if anything, the child is expected to pay for with the money.

At first, young children may spend all of their allowance soon after they receive it. If they do this, they will learn the hard way that spending must be done within a budget. Parents are usually advised not to offer more money until the next allowance.

The object is to show young people that a budget demands choices between spending and saving. Older children may be responsible enough to save money for larger costs, like clothing or electronics.

Many people who have written on the subject of allowances say it is not a good idea to pay your child for work around the home. These jobs are a normal part of family life.

Paying children to do extra work around the house, however, can be useful. It can even provide an understanding of how a business works.



Photo: AP

Three sisters in Ohio wait as their parents count out their allowances and look over the list of the children's chores

Allowances give children a chance to experience the things they can do with money. They can share it in the form of gifts or giving to a good cause. They can spend it by buying things they want. Or they can save and maybe even invest it.

Saving helps children understand that costly goals require sacrifice: you have to cut costs and plan for the future.

Requiring children to save part of their allowance can also open the door to future saving and investing. Many banks offer services to help children and teenagers learn about personal finance.

A savings account is an excellent way to learn about the power of compound interest.

Compounding works by paying interest on interest. So, for example, one dollar invested at two percent interest for two years will earn two cents in the first year. The second year, the money will earn two percent of one dollar and two cents, and so on.

That may not seem like a lot. But over time it adds up.

Welcome to Voice of America's Special English Article Activity

This worksheet is designed to be used with: *How an Allowance Helps Children Learn About Money.*

Level: beginner - intermediate

Time: 20 - 30 minutes

This worksheet will help you learn new vocabulary about money. You will answer questions about giving children an allowance, and write a short paragraph about your opinion on this.

1. What is the meaning of *allowance* in this article?

a small amount of money given to children

an amount of time that is allowed for something

2. Check the correct answer.

A *budget* is a plan

to spend all your money on one thing.

that decides how much money you can spend, and what you can buy.

a plan to save every penny.

3. Which of the following *money* phrases are correct? The correct answers are in the article.

save money

invest money

jump money

spend money

4. Look again at the title of the article: *How an Allowance Helps Children Learn About Money.*

Which sentence below is true?

An allowance is bad for children.

An allowance is good for children.

5. According to the article, what is the purpose of an allowance?

6. Is the following sentence *true* or *false*? If the answer is false, correct the mistake.

The amount of money that parents give to their children to spend as they wish is the same in every family.

7. Complete the following blanks with *budget* and *spending*.

If children spend all their money quickly, they will learn the hard way that _____ must be done within a _____.

8. Complete the following sentence with *is* or *isn't*.

Experts say it _____ a good idea to pay your child for work around the home.

9. What can an allowance do? Check the correct answers.

teach children about money

make children angry

give it to a good cause

spend it

save it

invest it

ANSWER KEY

1. a small amount of money given to children
2. a plan that decides how much money you can spend, and what you can buy
3. save money, invest money, spend money
4. An allowance is good for children.
5. The purpose is to let children learn from experience at an age when financial mistakes are not very costly.
6. The amount of money that parents give to their children to spend as they wish **differs from family to family**.
7. spending, budget
8. isn't
9. teach children about money, give it to a good cause, spend it, save it, invest it
10. students' own answers [Compounding works by paying interest on interest. So, for example, one dollar invested at two percent interest for two years will earn two cents in the first year. The second year, the money will earn two percent of one dollar and two cents, and so on.]