

SKILL BUILDING OPPORTUNITIES

Good Spending Habits

Question: My son receives a weekly allowance for doing his chores, but he seems to spend it as soon as he gets it. How can I encourage him to develop good spending habits?

Getting an allowance can be a good way for children to learn about having money and the responsibilities that come with it. By promoting the life skill of Critical Thinking with your child, you can help him learn to use a problem-solving process for making decisions on his own.

Critical Thinking is the ongoing search for valid and reliable knowledge to guide beliefs, decisions and actions.

1

Have a discussion.

Having a conversation about his allowance and spending habits encourages your child to draw on Executive Functions like self control and reflection as he steps back to think about the situation before he acts. Ask your child questions like:

- “What are some examples of things you want and things you need? How do you know the difference?”
- “What do you think about when you make a decision to buy something?”

2

Set goals.

Work with your child to set goals for his spending. Goal setting helps him learn to prioritize and to manage his behavior according to what he wants to achieve in the future, instead of acting on his immediate impulses. To help your child make his goals clear:

- Encourage him to make a list of the things he might want and the things he thinks he needs. Ask him to put them in order of how important they are to him.
- Do research together on how much these things cost.
- Help your child think through the pros and cons of his spending choices in terms of short-term and long-term goals. For example, if he spends money on something today, he won't have enough money to buy the sneakers he really wants in the future.

Researcher Philip Zelazo of the University of Minnesota describes the role of Executive Function in decision making and problem solving:

If you want to start to characterize more precisely what's meant by executive function, think in terms of the sequential steps that people must undertake in order to solve any problem in a goal-directed fashion.

3

Help him come up with his own strategies.

Once you and your child have come up with goals for his spending habits, you can brainstorm strategies that will help him achieve his goals. You can say something like: "I've noticed that when you get your allowance, you want to spend it right away. I wonder what we could do to help you save your money for something really special, like those special sneakers you want. What ideas do you have?"

- Suggest that your child use reflection as a strategy when making decisions involving money. Encourage him to take a step back and think about if he really needs an item before he makes a purchase. Why does he want it? Will it make his life better in some way?
- Ask him what he thinks he can do that will help him meet his spending goals.

4

Create a several month spending budget together.

As your child gets better at shorter term spending, then you can create a longer-term budget. For example, figure out how much you think is reasonable and affordable to spend on clothes for him over a few months and put that total amount of money in a "bank account," which could be a real bank account or a book where you write down purchases.

- Help your child think through what he will need to buy over those months, from small purchases to larger ones. Cost out those purchases, and see where you can find the cheapest source of those items.
- When he buys something, have him subtract it from the total amount so he can see how much he has left.
- If he overspends, don't fix it for him. It is important that he learn from his decisions—that we won't be able to buy the shirt or jacket he wants because he doesn't have enough money left. Making mistakes is one of the best ways that we all learn.

Walter Mischel, currently a professor at Columbia University, conducted a now-classic experiment in the 1960s to investigate how young children make choices between something they might want now and something they would like later. Mischel and his colleagues presented children with a plate with one marshmallow (or another treat) on one side of the plate and two marshmallows on the other side. If the children could wait until the experimenter returned, they could eat both marshmallows. If they didn't want to wait, they could ring a

bell and the experimenter would come back, but the children could then only have one marshmallow. Mischel explains the role that self control and delaying gratification play in the lives of children:

The advantage for the young child who knows how to delay gratification is that they're likely [to] be able to pursue academic and personal goals with less frustration, with less distraction.

5

Be a role model.

Share your thinking and strategies when it comes to managing money. Through your example, your child learns to practice self control, problem solve and use strategies like the ones you show him to deal with other issues that he faces on his own.

- **Let your child observe as you make a budget.** Compare prices while shopping, pay bills and write checks. Explain to him what you are doing and why: "I know we usually get a different kind of bread, but today I have a coupon for this kind, which makes it cheaper. Let's try it!"
- **Demonstrate the importance of thoughtful spending instead of buying on impulse.** You can do this by giving up something you want to buy in order to put money aside for something you want want more.
- **Find a way to save money as a family.** Use an empty jar and have everyone put his or her loose change in it at the end of the day. When the jar is full, you can bring the coins to the bank and see how much you saved. Then do something special as a family with that money. Make sure to include your child in every step.
- **Create a spending jar for charity.** It is important for children to learn not only how to spend money on themselves, but also how to use money to give to others in need. Your son can help research the cause that he would like to donate money to.

6

Use critical viewing skills.

Help your child think critically about what he sees on television and on the Internet so he can make informed spending choices. When watching television together, ask questions like:

- "What is this commercial trying to sell? How are they doing it?"
- "Why do you think they chose that way to sell the product? Are they trying to say that you'll have more fun if you buy that toy?"
- "Does the ad make you want to buy the product? Why or why not? Do you like the music, the actors or the message?"
- "Are the claims this ad is making true? Will you really run faster or jump higher if you get those shoes?"