

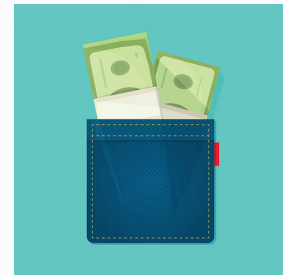
## What is pocket money and how to manage it?

Long ago, people kept their money in small bags or sacks.

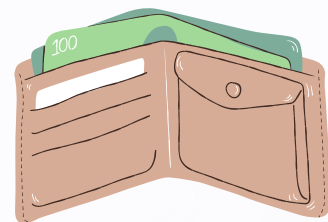


Later, a clever tailor came up with the idea to sew a pocket on clothes, as the most convenient and safest place to keep the money.

This is how it is thought that the name *pocket money* was born.



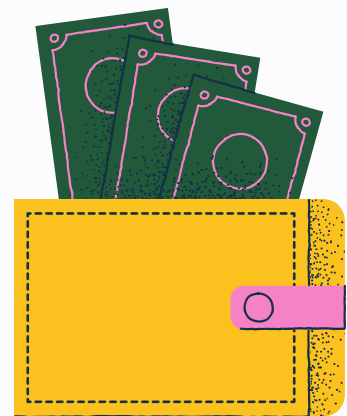
Today, pocket money means a certain amount of money that parents give to the child, at regular time intervals, to spend the as they want.



## Tips for parents to help children manage their pocket money

Money management is an important part of education, especially given that habits created in childhood influence children's behaviour when they grow up – whether they will know how to manage the money responsibly when they start earning it.

The self-confidence that a child gains by caring for a certain amount of money is very important and makes the economic independence of young people in the future easier. The best way to teach a child on how to manage the money carefully is to start with the pocket money.



## Financial independence is essential

The child should spend the pocket money at his discretion.

He/she can spend the money on anything he wants, but shopping tips and savings tips can be encouraging and useful for the child.



## Certain amount and at regular intervals - the basic principle of pocket money

In order for a child to learn how to respect agreements as something binding, even in the future, parents must adhere to the agreed dynamics of pocket money.

In order to decide the frequency of giving money to your child, one should consider his/her age.

Payments on a weekly basis are adequate for younger children, while for high school students it is more acceptable to give money on a monthly basis.

This way, the child will develop the skills needed for a successful money management.



## Stick to the dynamics of giving pocket money and avoid giving extra money

**Keep in mind:** By not giving him/her the pocket money as an advance (e.g. for two months) or by not giving him extra money in addition to the agreed amount, the child will understand an important life lesson: we will not always have enough money to fulfill all the impulsive desires we might have. But, in agreement with the child, you can fulfill him/her a wish by rewarding him for an extra work at home he/she has done.



## Extra work should be rewarded separately

If the child has done any extra work, this should be rewarded separately and not included in the pocket money.

Remember to first agree with the child on the obligations and consequences if they are not met, which means that they will not be rewarded if they do not do the extra work you agreed upon, in order to develop a sense of responsibility in the child.



# The meaning and purpose of pocket money

The purpose of the pocket money is so that children use their money for secondary things and not for primary things, like food or clothes, which are the responsibility of the parent.

*Example:* the parent is obliged to buy to the child a bag he/she needs, because the one he/she has is old.

However, if the child insists that in addition to the bag he/she needs to buy a wallet that he/she does not need, because the parent bought it a while ago, but he/she just likes it, then the purchase of the wallet should be covered with pocket money.



## The pocket money should be in line with the living standard of the family

One of the most common dilemmas is what should be the amount of the pocket money. This of course depends on the financial situation of the family. However, a large amount of pocket money, even when it is easily achievable by the family, will adversely affect the child's setting of priorities and appraisal of the money management importance.





# Pocket money should not be used as a means of reward or punishment

The pocket money should be given to children regardless of school results.

Increasing the amount of pocket money due to good grades in school or reducing due to poor grades, would turn the pocket money into a disciplinary means for educating the child from the general point of view, but would alienate the purpose of pocket money as a means of financial education.



## ***Children learn from examples***

***If parents give practical examples of money management and savings in their daily lives, the child will have a clearer notion of saving.***

