

# Healthy Money Habits

Step 9

## Class Challenge

### Tools for children

Visit the Android or Apple app marketplace. Search for the term “allowance” or “kids and money” to see what tools you can use to teach kids about money management.

Create or respond to a post with questions or feedback on this challenge here <https://www.facebook.com/pages/Idahos-Two-Cent-Tips/158778734174237>

### Food for Thought

Making decisions on behalf of our children can be mind boggling. Should you buy whole wheat or whole grain? Should you start a 529, Coverdell Education Savings Account, or a Roth IRA? Should you pay your children for chores, or make allowance unconditional? The key is that in most cases the difference between options is minimal and doing *something* is far better than doing *nothing*!

### Additional Resources

Find related resources here: <http://extension.uidaho.edu/madison/?s=children&searchsubmit=>

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## Kids and Money

**College Savings** – For most parents, a simple 529 plan is the best option for savings for a child’s education. In most cases parents should choose the state 529 plan where they reside in order to get the full tax benefits. Don’t worry, choosing your state of residence does not limit where junior can attend college.

**Allowance** – Should junior’s allowance be attached to household chores and other duties? Or, should it simply be an automatic entitlement? Believe it or not, the research is inconclusive. But what the research has shown is that having some kind of a regular allowance is much better for children than having none at all, or sporadic gifts of money. It allows them to practice management of limited but regular income, much like a paycheck.

**Safe Mistakes**- Children are often the epitome of impulsiveness, and parents correspondingly want to put limits on how allowance should be spent. But before you force your little ones to be responsible, consider that allowing children to make and learn from their own mistakes, at a young age, will probably be far less expensive than making those same mistakes later in life when there are much larger consequences at stake.

**Model Good Behavior** – Before trying to teach children to handle money wisely, make sure you are modeling good spending behavior yourself. Far too many parents expect junior to save money, but live paycheck-to-paycheck themselves.



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