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Smart kids: Developing good money habits early

BusinessMirror · 25 Mar 2025 · B3

GIVING the kids their daily baon (allowance) is part of the process of growing up. Parents provide money, and the kids spend it on snacks, lunch or school supplies. But this is also a time to instill good money habits in children.

When kids learn to handle money wisely, they become adults with good financial behavior. Most parents concentrate on academic achievement but tend to neglect money management. Money management is equally important as learning science or mathematics. Children who practice good money habits in early childhood are likely to make wise financial choices when they grow up.

Money habits must start when children are young. If children are not taught how to budget, save, and spend money wisely, they can end up financially struggling or spending carelessly when they grow up. Teaching them on how to handle their baon makes them appreciate the value of money before they begin earning independently. When children learn money management at an early age, they will become effective at saving, budgeting, and spending. They also learn self-control and do not engage in impulse buying. By teaching children to manage money, parents prepare them to be financially independent.

How to teach children money habits through their baon

CREATE a fixed budget for their baon. This allows children to spend within their means. If they exhaust all of their money early, they will learn the lesson of budgeting better the next time. Giving a weekly allowance is, to a certain extent, an effective way rather than a daily allowance. This compels children to budget their expenses instead of incurring it all in one day.

It is also a good idea to teach children that they don't need to spend all that they earn. Instill in them the habit of saving part of their baon every day. A good guideline to follow is the "50- 40-10 Rule," where 50 percent is for daily expenditures such as food, 40 percent for savings and 10 percent for occasional treats.

Parents can customize these allocations according to what suits their situation. Having a piggy bank or a savings jar in the house can also make children notice how their money accumulates, which inspires them to save more.

Many children tend to spend their baon in advance on snacks and toys. Inculcating delayed gratification makes them more patient and financially wise. Ask them if they actually need it now. If a child wants something in the form of a toy, ask him/ her to save money for it and not

immediately beg you for buying it. As soon as he/she has enough money in savings, he/she understands the importance of patience and perseverance.

Another way of educating children on being financially responsible is through engaging them in minor money decisions. Let them shop for snacks and decide which one gives the best value. At the supermarket, let them assist in picking affordable items. When going out as a family, ask them to come up with ideas for saving money on food or activities. In making these small decisions, they realize the importance of planning ahead and wise spending.

Money is not only meant for spending and saving—it's also for giving. Teach the kids to give a part of their money to charity, church, or those in need. Doing these things teach children the values of kindness and generosity.

Helping your child with money

ONE mistake that parents usually do is giving more money all the time when their children ask them for some. If children use their baon mindlessly and are given more money right away, they may think that money has no limits. Instead, make them face the consequences so they learn how to plan their money better next time.

Another thing to avoid is to buy everything for them. When parents buy toys, clothes, or gadgets all the time, children never learn about the value of money. Show them that if they want something, they have to save for it or work for it by doing small chores. It is also a good practice (with caution) for parents to give rewards when their children do well in school in the form of good grades or winning a competition. These instill responsibility and awareness that money is earned.

Parents also need to be careful about the example they set. Children learn how parents manage money, so if they see parents spending money impulsively, they will probably follow the same behavior. Providing a good example through practicing wise financial decisions allows children to emulate the same.

Begin small and include money lessons into daily life. Keeping simple daily habits can raise intelligent and responsible individuals who can manage their finances well.

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