

# 3 PRINCIPLES OF BORROWING MONEY FOR KIDS



The constant “Can I have some money?” question can become overwhelming, especially without clear boundaries. If you’re like many of us at Sente, it may feel like the ‘Bank of Mom & Dad’ is always open. However, by allowing kids to borrow money with set rules, you can turn these moments into valuable lessons in money management.

**For kids aged 10 and older, here are three essential principles they are ready to learn:**

## 1 Loans Need to be Paid Back

When you get the “Can I have” question, instead of simply saying yes or no, respond with, “When can you pay it back?” Clearly differentiate between a loan and a gift, and make sure you enforce repayment.

## 2 When, How, and How Much to Borrow

Set clear expectations around allowances and develop a repayment schedule together. This teaches kids about a process they will encounter more as they grow older. For instance, if your child has spent their weekly allowance but wants an additional \$20 to go out with friends, use this as an opportunity to teach them about borrowing. Plan a repayment strategy over several weeks.

## 3 Borrowing Money with Interest

Once your child understands loan repayment, introduce the concept of interest. Explain that borrowing money from a bank or using a credit card involves paying back the principal amount plus interest. For example, if they repay their loan in weekly installments, you could charge \$1 interest per payment. This helps them understand the cost of borrowing money and lays the foundation for solid financial habits.

By teaching these principles, you empower your children to become better money managers, setting them up for a financially responsible future.