

THE JUGGLE ON SUNDAY, BY DEMETRIA GALLEGOS

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It's Our Kids' Money. But Is It Really?

Parents should have veto power over how children spend their own savings

By DEMETRIA GALLEGOS

My children are rich. Especially Anna, the quiet 13-year-old. She has squirreled away more than \$3,300 in a savings account that was started for her as a baby.

My husband and I match what she earns each week from the chores she has chosen, and she has taken the most lucrative jobs, like scrubbing the bathtub. She has built her savings through unused pocket money, miserly spending and an instinctive understanding of "out of sight, out of mind."

All three of her sisters have also added money from chores and odd jobs to their long-term savings accounts. Until recently, the flow was one way. But as the girls grow older, they're more interested in the potential of tapping that savings for opportunities and purchases they couldn't otherwise have.

All of which raises a couple of difficult questions. First, exactly how long is long-term? And do John and I have the right to stand in their way?

Not long ago, those questions were rhetorical. With essentially half their allowance diverted into their accounts before we gave it to them, the kids would tend to forget about the money. Obviously, there was much we couldn't afford, but they didn't see their savings as a way around that obstacle.

But things got a lot less rhetorical last year when Isabella, 11, floated the idea of using her savings to pay for a cat adoption, after her dad and I balked at getting her one. We vetoed it for several reasons, including financial ones.

Emily, 15, has been interested in a high-end computer system for gaming. Again, John and I said no, believing that our family computers were adequate for the schoolwork she needed to accomplish, and that computer games were already too great a distraction. Plus, we felt, a computer is a perishable purchase, obsolete within a few years. We wanted a major savings withdrawal to be more meaningful, with the potential for her to remember as an adult how the money was spent.

But now that we've been challenged, John and I have had to articulate a policy around savings, and how the girls can spend it.

The general principle: "Until they're 18, we have the right to deny them spending it on things we don't approve of," says John. "Our name is on the bank account."

The girls buy this argument—up to a point.

"I understand if you keep us from using it on things like drugs, but since it's our money, it should be our decision," says Emily.

"I feel like you guys should state your opinions," says Anna. "If our idea is reasonable you shouldn't veto it. But if it's outrageous, you should use your parent powers."

Jamie, 16, agrees that John and I are within our rights to control withdrawals.

"You should have more influence in our bank accounts," she says. "You've been putting money in that account for years. That's your investment in us, so you should have a say in it. With your involvement, I know that money isn't going to be spent on something I will regret."

Our insistence on holding the reins, however, doesn't mean that the money is untouchable. In the same way their allowance teaches them to manage cash in hand, we want the savings account to give them lessons in delayed gratification. We want to see them use it, eventually, for something especially satisfying.

By encouraging a thoughtful, well-researched expenditure, we hope they get more out of it, and will be motivated to keep saving for future big-ticket rewards.

Most important, John and I both think that saving is more a symbol than it is about stuff. Our saving and investing signify security and comfort in retirement, and educational possibilities for the children. Saving is a virtue, which, though abstract for a child, is also a practical matter, says John. If you don't develop a habit of saving and planning, you could be collecting cans to get by.

At the same time, while saving and forgetting about it is an extremely effective lifetime plan, actually spending some of it brings the point home, especially for kids.

So what kinds of spending fall into that category? To get an idea, consider a request we agreed to some three years ago, when an opportunity arose for Jamie to take a student trip to Costa Rica. John and I both agreed travel was a great use of her savings, and something we would gladly stretch to help fund.

She subsequently tapped the account to pay for part of the cost of going to Spain last summer, and to Ecuador this summer.

"I love that I've been able to draw on that money for two years in a row to travel abroad," she says. "That's probably the best possible use. I'd rather spend the money on an experience than a thing."

Emily just made her first withdrawal as well, to help cover four weeks in Ireland. She's probably kissing the Blarney Stone right now.

It remains to be seen what will draw Anna's eye. Will a foreign destination capture her attention, too? If not, perhaps I can ask her for a loan.

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