

# THE “THREE JARS” SAVING METHOD

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## THE “THREE JARS” SAVING METHOD

For those who are not familiar with the ‘Three jars’ saving method, you are not alone. I just got to know this simple-but-interesting method not long ago and would love to share it with you all.

Many parents, especially those living in Western countries, used the ‘Three jars’ saving system to educate their children about money – how to earn it, save it, and spend it. In this method, children learn to manage money as soon as they can count to three. They are asked to divide their money into 3 jars labelled **SPEND, SAVE, and SHARE**.

**The SPEND jar:** is money set aside for short-term expenses, such as lollies, cheap toys, etc., teaching children that life expenses are normal. Nowadays, children will often see their parents using credit cards to make payment and that could make children see those plastic cards as an endless source of money. Therefore, it is important to encourage children to handle money and make these small purchases themselves. This makes them feel money as a real thing.

**The SAVE jar:** contains money set aside for big budget items, such as a bike, technological devices, etc. Children are taught to reasonably set a target amount and a timeframe. Teaching children to save for a purchase will help them avoid the lure of later relying on credit.

**The SHARE jar:** is the money set aside for re-investing back into their community, such as donations, giving children a strong sense of belonging in the community. Children will learn to understand by the time they are adults that they will need to pay tax and see the benefits of making charitable donations.

The “Three jars” method is simple and easy to set up. Importantly, the method is effective in helping children understand the value of money as it lets children manage their own money and take responsibility for the decisions they make. Parents can give advice, guidance and monitoring but the choices are driven by the child. Children will see the consequences of their decisions and learn from unwise choices. They would also become thrifty and see saving as something habitual. Last but not least, children would develop an understanding of the ethical responsibility to share their money and giving back to the community.

The “Three jars” is just one of many budgeting methods out there. I found a very good financial literacy resource developed by the United States Government. The website includes age-appropriate money lessons for children and suggested activities to help children learn about money at different ages. Check it out if you are interested!

<https://www.consumerfinance.gov/consumer-tools/money-as-you-grow/>

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