



What is your dollar worth?

When I was in my last year of college, I decided that I wanted to become a Financial Planner when I graduated. I informed my Dad (who is and was a Certified Financial Planner™ professional) of my intentions. Since I was just finishing up a degree in astrophysics, to say my declaration came as a surprise to him is something of an understatement. Nevertheless, he invited me to lunch so that we could discuss the matter.

Right after we sat down and before we even ordered, he pulled a dollar out of his money clip, placed it on the table in front of me, and said “If you really want to be a financial planner, tell me what this dollar is worth.”

I’m not quite sure why I blurted out “four gumballs,” I can’t stand gumballs, but he laughed and told me that was the closest anyone had ever come to answering correctly. “Most people say something like fifty cents or eighty cents.

“But you see,” he continued, “right now, it is just a piece of paper. It has no real value until you do something with it, and not to be too corny, that concept holds true for my advice as well. It has no value, unless you implement it.”

That conversation forever changed how I look at both money and advice. Using that dollar to buy four gumballs was obviously not the most valuable use for that dollar, but it is a fascinating concept that how we ultimately choose to spend our money determines its value; and that value is different for each of us.

If you want a less philosophical answer, another way to look at what all those dollars in your wallet are worth is to figure out how much of your time it took to earn a dollar. For example, after adjusting for Federal, Social Security and Medicare taxes, for a married couple each working a 40-hour week and each earning an annual salary of \$25,000, every dollar is worth just under six minutes (5.78 minutes if you want to be more exact). So that \$5 latte is equivalent to about a half hour of work, a \$50 dinner out on date night costs approximately five hours and spending \$200 on clothes just cost them both more than a full day of work.

Once you start looking at your money in these terms, it becomes much easier to avoid impulse purchases, and keep your budget on track. By simply asking yourself, would I work an extra half hour at my job for a latte? An extra five hours for this meal? If your answer is “no,” then the purchase is not a valuable one; and it becomes much easier to resist the temptation. Whether you are trying to break the paycheck-to-paycheck cycle, pay down debt or increase what you are saving; track your purchases for a week. Look at what those expenses really cost you in terms of your time. This is a great exercise to repeat a few times a year.