

Money and Time

Written by Grant Maddox
Friday, 01 March 2019 07:59



As the old saying goes, "Time is Money." One of the great laws of business is that time equals money: The more time you can efficiently utilize, the less time you waste and the more money you make. Some may call this the opportunity cost of laziness. By being lazy you essentially give up the opportunity to make money. You've likely heard the phrase in some form or another a thousand times before, and it makes sense. However, have you ever considered it the other way around?

It may feel strange saying it out loud at first, but the saying can go both ways. Money is time. Time is one of the most valuable resources on earth. Thinking of money in terms of time is one of the best ways to adopt a healthy attitude about spending and stop splurge spending. If you know the true cost of your dollar you may be more inclined to save it.

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To start, you must factor in all hours spent at or around the office, commuting, and at seminars over the course of a year. Once you've established the number of hours spent on work-related items, you will then have the denominator for your true hourly wage calculation.

The next step will be establishing any costs associated with your work. There are a lot of people who are unaware their job may actually have costs associated with it. Aside from the amount of time spent at work, most spend a considerable amount in preparation for their job. The cost associated with job preparation includes gas and car repairs for daily commuting, daycare costs, coffee, work clothes, and some may even include the occasional happy hour after work. Once you've established the amount of money you spend on your job on a weekly or annual basis, then subtract this number from your weekly or annual salary. Now subtract taxes to arrive at your net salary.

Now we are ready to calculate your true hourly wage. Take your net salary, add back any retirement plan contributions you may have been making, and divide this by the number of hours spent on work-related items to arrive at your true hourly wage.

Example:

Let's assume an employee works 40 hours per week, spends 10 hours on work-related items. This employee gets paid \$40,000 a year, spends \$8,000 per year on work-related items, and pays about 20% (\$8,000) in taxes between state and federal per year. The true hourly wage of this employee would be \$9.23 per hour (\$24,000 divided by 2,600 work hours per year). Compare this to a naked eye analysis of this employee's salary, \$19.23 per hour, and you will notice a \$10 per hour difference for this employee. This means each dollar this employee spends costs him or her more than 6 minutes at work.

Knowing the true cost of your dollar, you may find yourself reluctant to splurge on that next big item. It's important to remember that the relationship between your money and your time isn't always that straightforward. While you can certainly calculate the cost per hour of use for a given splurge item, (a \$160 chair used for 480 hours a year and used for five years will have a cost per hour of \$0.06), this should not be the only consideration in spending. For both spending your time and your money, there is always at least one item we can all spend it on: That which makes you happy.

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