How many minutes does that cost?

Money management is a constant juggling act. You have money and seek to trade it for the goods and services you need or want. It is a tradeoff that is influenced by your values and how much you are willing to give. If I stop on the way to work for a caramel macchiato, I trade $5 for a great cup of coffee. But is it worth it? That’s something only I can determine.

Let’s face it. Unless you are a Rockefeller or Bill Gates, we only have so much money in our pockets. What we trade that money for is a direct result of the time we spend working. I like to think about finances being a tradeoff. The money spent on that cup of coffee means I can’t spend it somewhere else. I always think about how many minutes of time at work an item will cost me.

If you make $40,000 a year, that $5 cup of coffee requires 20 minutes to earn it (including deductions for income tax and social security). Is it worth it? By knowing the cost of any item in time, you can make educated tradeoffs.

Coffee is a little purchase. But what if the choice is to buy a car? What about a reasonably priced midsize priced at $25,000? That figures to 1,523 hours. But if you upgrade to the $60,000 car, with all the optional bells and whistles, you are looking at 3,654 hours. Since we work a little more than 2,000 hours a year, that is quite an expenditure.

Whether you choose the lower option or the more expensive one, it is up to you. Some people feel that their position in life (or maybe their job) requires that you choose the higher cost option. Others, like me, are often content to drive any car no matter what it looks like, as long as it gets me from point A to point B. Spending money is a very personal decision. I can’t tell you what is important to you; you must decide that. But when you look at these decisions as a cost of your time, the expense becomes more concrete. Am I willing to work longer to pay for a vacation home? These are decisions you must weigh within yourself and your family.
There are several calculators on the web that help you figure out the cost of an item in terms of your time. One of my favorites is at http://www.bargaineering.com/articles/hours.html. You simply put in your salary, what you are going to spend, and it tells you how many hours you must work to purchase that item. Take a look at one of these before you plop down your money on that next big purchase.

I think it is interesting that we grouse about the cost of items being so high today. When I first graduated from college, I made considerably less money. But that first new car I bought cost me about 3/4 of a year’s salary, which is about what our example above shows. So maybe things haven’t really changed as much as we think. Even though we are now spending far more on the items we buy, the relative costs are not much different.

Think about that next big purchase in relation to the amount of time it will take to pay for it. Ask yourself if it is worth it. With these two answers in your mind, you can decide whether to spend or not.

Roxie Rodgers Dinstel is a professor of extension on the Tanana District Extension Faculty. Questions or column requests can be e-mailed to her at rrdinstel@alaska.edu or by calling 907-474-2426. The Cooperative Extension Service is part of the University of Alaska Fairbanks, working in cooperation with the U.S. Department of Agriculture.

- 30 -