



## MONEY VS. VALUE:

What is value? Many people have a hard time grasping what value is, and how to put it in terms they easily understand. Money is a common stressor to everyone, so how do you manage your spending to ensure you are using it to add value to your life?

An easy way to measure the value you are getting for your money is to compare it to your overall earnings or savings. Using this money vs. value method, let's have a look at an average trip to the mall.

In this example, let's imagine you are working a part time job while you're in school, working for \$16 per hour, allowing you to earn \$16,000 a year before taxes and deductions from your pay cheque ( $\$16/\text{hr} \times 20 \text{ hr/week} \times 50 \text{ weeks/year}$ ).

You meet some friends at the mall with the intention of just hanging out. First, you visit the food court and buy a burger combo (\$10.08). After lunch, you go to your favorite sports store to purchase the newest running shoes that are finally in (\$250.00). Next you head to the gaming store and purchase the most recent release of your favorite video game so you're not left out from all your friends talking about how they were up all last night playing (\$99.99). Then, you get a text from a few friends; they are heading to the movie theater to see the latest Hollywood feature film. After you get your tickets and snacks the movie costs you (\$22).

You get home and are satisfied with your day out. Who knows, maybe tomorrow you'll do the same thing. At the end of the day, this afternoon cost you \$382.07. That's almost 2.4% of your annual income. Or 23.89 hours of work, that's over an entire week's worth of pay!

If you had a shopping trip like this every two months you would be spending a little over \$2,290 (14.33% of your annual income) per year. If this is all the "discretionary" (fun) spending you do in a year, you're doing pretty well; but in all likelihood you will spend more on dates, trips out of town, concert tickets, clothes, or accessories for your car.

In order to find the value in your money, try to think in these terms:

1. How much of your annual income does this purchase represent?
2. How many hours would I need to work in order to pay off this purchase?
3. How much of a different larger financial goal does this represent? For example, if you're planning on buying a \$5,000 car this shopping spree would have been 7.6% of the price of that car. This is what is known as an opportunity cost and it will be discussed in the next issue of outside the box

It can be hard to think about how much you earn in a year, or what a big goal like a car or trip will cost you, but it is easy to think about how much you work. What is important, is that you find an easy way to compare what your spending to the value of your money. Maybe you love your job and you would do it for free, or maybe it's just a job and you need that pay cheque. Is a pair of shoes worth a full weeks' worth of work to you?

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