



Spending, in Hours

Scaled Finance Welcome Course: Episode 11

Part Three: Ownership

Spending, in Hours: Your Money or Your Life!

Welcome back!

Last episode explored replacing services with products.

Today, we'll discuss a movement which predates what is now called financial independence.

My mom's best friend from high school got involved in the Your Money or Your Life movement in Seattle during the 1990s.

When she visited us in Illinois on a cross-country trip, it was my first introduction to a work optional young person.

Your Money or Your Life!

Expenses in Hours

Let's examine expenses through the lens of hours spent to purchase each good or service.

This episode is inspired by the movement as well as Vicki Robin and Joe Dominguez's wonderful book [Your Money or Your Life](#).

The name itself is a powerful metaphor.

If someone put a gun to your back and demanded "Your money or your life!", you wouldn't hesitate. You'd hand over your purse or wallet.

However, that's the opposite of what we do every day at work! We trade our life for money one hour at a time.

7 Step Process

A Framework

Vicki and Joe questioned whether such tradeoffs are intentional. They worked to bring these subconscious decisions top of mind.

The steps I've adapted to reframe expenses in terms of hours are:

1. **Calculate After-Tax Income**
2. **Sum Work-Related Expenses**
3. **Count All Time Devoted to Work**
4. **Calculate "All-In" Hourly Wage**
5. **Categorize All Annual Expenses**
6. **Divide Each Expense by the "All-In" Hourly Wage**
7. **Evaluate Expenses in Terms of Hours**

Let's walk through each step.

After the Tax Hit

Step 1: Calculate After-Tax Income

This information will likely be on your federal tax return.

If there is more than one working adult in your household, it may be helpful to allocate the after-tax income to each of them.

Step 2: Sum Work-Related Expenses

Sum the expense you have because of work. I refer to these as the "6 C's":

1. Commuting – gas, parking, maintenance, depreciation, tolls, public transit... any expenses related to getting to and from work
2. Care – childcare, pet sitting, support for elderly loved ones, home and vehicle cleaning/maintenance/repair – things you'd do if not working.
3. Costuming – clothing, hair, makeup, etc.
4. Continuing education – college, certifications, conferences, career development...
5. Convenience – coffee stops, work lunches, take-out dinners, etc.
6. Coping – exotic vacations, season tickets, video games, Netflix, recreational drugs (including alcohol), mental health professionals, work/stress-related injuries... That is, anything you do to recover from work.

Paying to Work

You walk to work? Great!

How much more do you pay to live so close to the office?

Your work attire/appearance is casual? Awesome!
 Are your clothes interchangeable with what you wear on the weekend?
 What about your shoes?
 Do you shave or apply as much makeup on the weekend?
 Would you get your hair cut and styled as frequently and in the same way?

If there's an expense in your life because of work, include it.
 Estimate all these hard costs for the year.

Include All Working Hours...

Step 3: Count All Time Devoted to Work

Perhaps start with when you leave and return home from work.
 Subtract any time you spend on personal errands/activities during the workday.

Add back any other time you spend on work outside the office:

- Checking email on your phone
- Logging in early in the morning or late at night
- Travelling for work (which can really add up)
- Attending "optional" work functions like happy hours, team building activities, holiday parties, networking events, etc.

Include the hours spent on the 6 C's:

- Commuting – time spent going to and from work
- Care – arranging, dropping off, and picking up dependents or pets
- Costuming – shaving, applying makeup, styling hair or nails, time spent to buy/alter/clean/mend/iron work clothes...
- Continuing education – studying for degrees and certifications, reading professional development books, listening to work-related podcasts, attending workshops, etc.
- Convenience – these should save time!
- Coping – time you spend doing anything to recover from work

Give credit where it's due!

Be sure to subtract the holiday and vacation days you're able to fully enjoy.

It may also be helpful to estimate the total time your family members devote to work each year.

And Those Indirectly Devoted

Marginal

Step 4: Calculate “All-In” Hourly Wage

Subtract your total work-related costs from your after-tax income.

Divide the result by your total work-related hours.

If you’d prefer to work with a formula, it’s:

“All-in” wage = (after-tax income – all work-related costs) / all work-related hours

You may find it helpful to repeat the process for every working adult in your household.

All for One

Why?

My experience is that if one person works more, another family member must pick up the slack.

The extra hours spent may not be at your rate but instead at that of another family member. My partner and I used the lower of our two hourly rates.

Cost Tracking

Step 5: Categorize All Annual Expenses

There are many personal finance applications like Mint, You Need A Budget (YNAB), and Personal Capital which help aggregate and categorize expenses.

Credit card and bank statements may also summarize this information. Otherwise, you may need to track and categorize your expenses manually.

If you have not been tracking your expenses, you may be able to review them for the last month and multiply by 12.

However, there are some expenses like insurance, back to school, and holiday gifts which only occur once or twice a year.

Reframe Expenses in Hours

Step 6: Divide Each Category Expense by the “All-In” Hourly Wage

Divide each category expense from Step 5 by the marginal wage from Step 4.

The result will be how much you work for each expense.

Let’s check some examples for a household with an “all-in” \$20/hour wage.

Cable TV

Assume cable TV costs \$200 per month. That’s \$2,400 a year.

At \$20/hour, that’s 120 hours or three weeks of work each year.

Food Away from Home

According to the U.S. Bureau of Labor Statistics, [consumers spent an average \\$3,459 on food away from home in 2018](#).

At \$20/hour, that's basically one month of full-time work each year.

\$5,000 Family Vacation

At \$20/hour, that's a month and a half of work.

Another Auto

According to AAA, [the average annual cost of owning a car in 2019 was \\$9,282](#).

At \$20/hour, that's two and two-thirds months of full-time work.

That person would theoretically need to work from January 1st through March 21st to pay for the use of their vehicle for the year.

Step 7: Evaluate Expenses in Terms of Hours

Review each of your expense categories in terms of annual hours.

You may find the [Spending in Hours Template Google Sheets](#) document helpful.

Each sheet aligns with one of the seven steps:

1. Calculate After-Tax Income
2. Sum Work-Related Expenses
3. Calculate All Time for Work
4. Calculate "All-In" Wage
5. Categorize Annual Expenses
6. Divide Expenses by Wage
7. Evaluate Expenses in Hours

**It Costs Me
How Much
Time?!**

What surprises you?

What expenses do you feel are completely and utterly worth it?

Would it make sense to spend more in those areas?

What expenses do you feel aren't worth the time investment?

How might you better align your most precious resource – time – with what you truly value?

Next Steps

Congratulations on completing the course!

Thank you for your time and engagement.

I genuinely hope you found these frameworks as profound as we have.

If you could, please drop me a note at Kevin.Estes@ScaledFinance.com.

- What was your favorite episode?
- What your least favorite?
- Which sections could have been clearer?
- Are there any sections you have shared or plan to share with others?
- Are there any other topics you wish were covered?

My plan is for you to have access anytime you'd like to review or retake the course:
www.scaledfinance.com/welcome-course

If you know anyone who could benefit from this course, let them know!
Make it easy on them by sending them the course link.

Hopefully you signed up to receive my latest content once it's available.
My hope is to post new content monthly and possibly more frequently.

In the meantime, check out the additional free resources on scaledfinance.com.

See you soon!

**Thank You,
Next**

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