

Competency

Valuing

Most of the things we buy routinely—milk, eggs, coffee, gas—have fixed price tags, so we don't think very much about their value. We just buy them. In fact, we don't even think that much about the prices of most of the higher-ticket items we buy only on occasion, like electronic equipment, cameras, or major appliances. However, we do negotiate over some small-ticket items, like things at garage sales, and, of course, on the big-ticket items like houses and cars. In those instances, we're more likely to think about whether something is worth the asking price because it feels as if we have a choice about what we are going to spend. Most of us are always on the lookout for a "good deal," a "bargain," or a "steal." Quite understandably, we want the most value for the least cost, and we're proud of ourselves when we've had the smarts to find it. The fact that "The Price Is Right" has continued to be a popular television show for more than 30 years is testimony to our wanting to be sharp about spending money.

Although we're usually not conscious of it, as we are growing up we develop guidelines for how we value things, and how we spend our money. Some of these guidelines are developed by mimicking our parents' spending habits. Others come from the pressures of interacting with our friends. We might, for example, go out to a pricier restaurant than we might otherwise eat in because our friends want to go there, or we might spend more money on an item of clothing because a friend encourages us to buy it.

The sources of these guidelines also can be less direct. The media—magazines, movies, and television—bombard us with images of an extremely attractive lifestyle, and without even realizing it we begin to think that we, too, should live that way. And we're told that in order to live that way we must cultivate certain activities, and own and use certain products. Of course, we're told, you can take a trip to Disney World during the kids' spring break. And of course you'll use the American Express card—and the gold one rather than the green one.

Because we're not always aware of the sources of these guidelines, and never really explain them, they can cause problems between us and the people around us. For ourselves, we see the guidelines as clearly as if they were the white lines on a highway. We know what a double line means. We know what a solid line and a broken line mean. We know when we're allowed to pass. But the other people in our lives—the people sitting in the back seat—can't even see the lines, much less understand their significance. And that's where problems can set in.

That's why understanding valuing is so important to your financial well-being—it can reduce conflicts that make other aspects of your financial planning not only difficult but sometimes even close to impossible. In this section we consider how much things are worth to us, how we determine what they're worth, and how to avoid problems with those who have different guidelines from ours. The bonus is a fascinating adventure of looking at how each of us is “wired inside,” our own decoding of our financial DNA, a private genome project.

What's Your Valuing Quotient?

Your Valuing Quotient (VQ) is an indicator of how you value things and the way you use money. In order to determine your VQ, all you have to do is read the following statements, write “Me” next to those that accurately reflect how you think or act, and write “Not Me” next to those that don't:

1. I like to think that I'm a smart shopper.
2. I'm careful about how I spend my money even on very small items.
3. I can explain my reasons for spending money on each item I buy.
4. Just because one member of a family earns more than another doesn't mean that person should control all the significant decisions.
5. I rarely buy things just because my friends have them.
6. Even without a price tag I can tell an item's quality and proper price.
7. I don't believe that money defines who I am or what I'm worth.
8. You can't tell how successful someone is by how he or she dresses.

9. Even people who do not have money can have power.
10. I usually find a way to negotiate with my family or friends rather than fight with them about money.

Now give yourself 10 points for each “Me” answer. If your “Me” answers add up to between 80 and 100 points, bravo! You have a high VQ. If you scored either 60 or 70 points, you may be a little unsure of how you link values and money. And if you have 50 points or less, this section should help you to look at your money and values differently.

Money—What Is It?

Perhaps a helpful way of looking at how we value money is to think in terms of how we earn it. “I’ll give you a piece of my mind,” we may say in anger, but we could also say that when we make any purchase. That’s because when we work, we give of our time, talents, creativity, brawn, dependability, humor, energy, and personality. In return for some portion of all that, we receive money—our pay. So money can be seen as a kind of shorthand, a symbol for our time, talents, creativity, brawn, dependability, humor, energy, and personality. Viewed this way, it’s clear that when you buy something with the money you earned, you’re giving a part of yourself so what you are buying better be worth it. If it’s not, then what you’re really squandering is yourself.

Stories Overheard

How many times have you heard yourself—or someone else—say, “How could you have spent money on *that*?” We all at least occasionally have disagreements with other people about spending money, and it’s often because our value system is different from theirs. Sometimes we even disagree with ourselves about a purchase we made some time ago because what is valuable to us has changed.

Why is it important to your financial well-being for you to understand valuing? There are two reasons. The first, which you’ll probably agree with very easily, is that understanding your own value system and the value systems of others can be very helpful in reducing conflicts. When you can hear the other person’s rationale, whether you agree with it or not, it can help you understand why he or she makes choices that are so different from yours. The second is that when you have thought through your own preferences so that you can explain them to yourself, it’s easier for you to keep track of

what's important to you. This self-awareness enables you to stay true to your own intentions, take yourself seriously, and keep your goals in the forefront. By putting your money where your value system is, you are expressing what is important to you, supporting that value system, and being true to yourself.

The following vignettes capture people having disagreements and commenting on, complaining about, and questioning how money and values interact. It's likely that you will see yourself on one side or the other of these arguments, and that hearing other people making these arguments will help you to understand how your value system concerning money motivates you, shapes your perspective, and leads to specific actions. To help clarify these points, after each story we've provided you with "Penelope's Perspective," a brief discussion of what you've just read.



Whipped butter

"My mother won't buy whipped butter. She says it's expensive and unnecessary. I told her the whipped stuff doesn't lump up on the toast like the stick kind, but she still won't buy it. It drives me nuts."

Penelope's Perspective

It's amazing, but this sort of picky issue can be the source of conflict. Let's see why. In the Valuing Quotient quiz, we asked you if you liked to think of yourself as a smart shopper, if you are careful about how you spend even on very small items, and if you can explain your reasons for spending money on each item you buy. "Yes" answers from you—and from the mother in this story—can be very good. However, the daughter's reaction reminds us to ask a few more questions about smart shopping and small economies.

What's the real issue here? Will her mom get rich by not spending the extra dollar or two on whipped butter? No, that one decision by itself won't make her rich. Then why is she being so strict? It may be that she feels that if she can say no to anything that she thinks is frivolous or that can't be justified as a "have to," when the bigger temptations come along she won't be taken in. If she can continue to be disciplined with many such economies, she may be able to meet her other goals, such as putting money into her savings account regularly. This is a good strategy—if she is doing it deliberately.

However, there is another possibility. It may be that she doesn't have bigger money dreams but just has a lemon-juice personality. She may be

controlling the kitchen and her family in the way a police officer controls traffic. Yes, they are her rules and her kitchen, but do they really help her prosper? Suppose she was being strict about not spending the extra money on whipped butter but found herself throwing out yogurt that spoiled because she bought too much when it was on sale. If this sort of waste or counterproductive action happened often, it would tell us she was not frugal or focused on some bigger money goal, but fooling herself and just being unpleasant with others.

***“Save anything on my paycheck?
You must be kidding!”***

All of her adult life, Oseola McCarty made a meager living by washing clothes. She never went to school beyond the sixth grade. She never learned to drive because, as she put it, “there was never any place in particular I wanted to go.” She lived simply, and she lived with discipline.

If her shoes were too small, she cut off the tops so her toes could move freely. She seems, in fact, to have not been tempted to acquire anything that wasn’t absolutely necessary. “I live where I want to live,” she said, “and I live the way I want to live.” And in 1995, at the age of 87, Oseola McCarty gave a gift to the University of Southern Mississippi of \$150,000.¹

Penelope’s Perspective

Many people who earn more than Oseola McCarty (even after adjustments are made for pay scale, place, etc.) would say, “Save anything on my paycheck? You must be kidding!” And yet, Miss McCarty was able to do it. How did she manage it? Like the mother in the preceding story, she was careful about how she spent money even on small things. In this case, though, it’s clear that she did not do so for the sake of exercising power. Rather, being careful about spending ultimately enabled her to use the money she saved for a higher purpose, as evidenced by her gift to the university.

Miss McCarty’s ability to make that gift turns on her definition of need. She didn’t think she needed new shoes, and she was able to put aside the money she saved by cutting off the toes of her old shoes rather than buying a new pair. Of course, to most of us this sounds extreme, even eccentric. After all, when our old shoes don’t fit anymore we’re much more likely to just say, “I need new shoes.” Our friends and coworkers would agree; they’d have a lot to say about our wearing Miss McCarty’s designer shoes.

But consider for a minute the fact that new shoes might be as wrong for you as cut off shoes. If you are on a tight budget, or trying to save for some significant goal, wouldn't it make sense to reexamine what need means in relation to that purchase? Do you need shoes, or do you want shoes? If your shoes are comfortable and serviceable but not quite the look you want, shouldn't you wait to buy a new pair? Maybe a good polishing and new heels would be enough for a while. But if it's harder to find a cobbler than a shoe store, you may be tempted to throw out the old ones, and not make them presentable. You might be spending money unnecessarily.

But Miss McCarty's example reminds us that we can identify need to serve our goals. Our idea of need doesn't have to be completely dictated by the habits, values and fashion sense of others. Wouldn't you have more money in your pocket if you had to justify each expenditure against your own definition of need? Wouldn't that help you achieve *your* goals?

Achieving your goals—whatever they may be—is what good money management is all about. For that reason, *how and why* Miss McCarty managed to save so much money on such a meager salary is less important than *the fact* that she did save \$150,000. Saving the money is a reflection of what was important to her, of her values, and of her character. She remained faithful to her desire to live life on her own terms.

If Miss McCarty realized a big dream, starting with such skimpy resources, we too might be able to do something very special for ourselves or others. Her story might encourage us to spend money thoughtfully and use it to express our own authentic self. Making a donation to a university may not be what you would want to do, but it was her choice. Are you doing what you really want to do? Are you living your authentic life—the life you want to live—or the life that someone else has told you you should want to live?

Oseola McCarty's story suggests that money decisions may involve courage, independent thinking, and a willingness to go counter to what everyone else seems to be doing. It reminds us that when we control money decisions, we make money our servant. When we spend without purposeful thought, we give money the power that should be ours.

Taste buds

"Isn't this the best watermelon we've had all summer?" Gail asked. "It was on sale today."

"No," Margaret answered, "I think what I bought last week was sweeter."

"That wasn't on sale."

"What does that have to do with how it tasted?"

Penelope's Perspective

In the Valuing Quotient quiz, how did you respond to the statement “Even without a price tag I can tell an item’s quality and proper price”? Did the watermelon actually taste better to Gail because it was on sale? Some people can’t enjoy a meal when they feel they’ve paid too much for it. Others assume that the food in a very expensive restaurant tastes better simply because it costs more. Can you tell why the food is better or worth the money? What do you value—the experience or the money spent?

Marketing and pricing are an odd mixture of real fixed costs and psychological charisma for both the seller and the buyer. If the chef in a local diner bakes a chocolate cake, the ingredients create a baseline for what the diner has to charge its patrons in order to cover its costs. But what if the cake is baked by the chef in a four-star restaurant? In that instance, those who order it will pay substantially more, not just because the restaurant has higher overhead, but also because the restaurant charges more for the intangible value of its reputation and the intangible value patrons derive from being able to say they’ve eaten there. Even so, since taste is so subjective, in a blind taste test any particular individual might prefer the cake from the diner to the cake from the four-star restaurant.

Placing a value on something we can taste is one thing, but placing a value on a service is something else. What do you do if you are hiring professional help—for example, a lawyer, web master, or surgeon—and you have a limited understanding of how to judge the profession? When a friend of ours was starting his career as a consultant, he was told by his peers that unless he charged twice as much as he had intended he would not be considered qualified. So the price tag on his services was a way of assuring the public that he was just like all those other established consultants. Maybe this is one reason we’re told to get three quotes when we are going to paint the house or have a web page designed. We are relying on the going rate as a guideline for how something should be priced.

However, even though we often tend to think so, a higher price is no guarantee of higher quality. Whether you agree with its findings or not, *Consumer Reports* has made its mark by establishing testing criteria, measuring items against those criteria, and often arguing that a lower-priced, less well-known item is a “best buy.” It is a resource for learning to ask appropriate questions about whatever gadget you may be about to buy. And as you gain more familiarity with a type of product or service, it may become easier to determine when a higher-priced item is not offering substantially better quality than a lower-priced one.

In all likelihood there are already some products with which you are sufficiently familiar to make such a determination. Let’s say, for example,

that you want to buy a new winter coat. You find one with a designer label, which you like and which fits, with a price tag of \$250. You can afford it, but when you examine the coat's details—how it's constructed, the type of fabric—you realize that you've seen coats of similar quality, without a designer label, for \$100. Is the label worth \$150 to you? Probably you've made this sort of decision many times, but you may never have broken it down in quite the same way. If the label is worth the additional money to you, that's fine, and you should go ahead and buy it. The important thing here is that you think about it, that you know exactly what you're paying for, and that you know why you're spending the extra money.

The sporting life

Mary blew up. "Jim, how could you spend \$130 on tickets for a baseball game? What a waste of money!"

"I earned the money," Jim answered. "I can do whatever I want with it."

Penelope's Perspective

This sort of interchange occurs between friends, couples, parents and children, and even between "me, myself, and I." The dollar amount and the reason for the expenditure change, but the basic pattern remains the same—one voice saying, "How could you . . .," and the second claiming, "It's my money. . . ." One person criticizes the spending and the other defends it.

If you find yourself on the defending side of this kind of argument, it might be a good idea for you to consider this: Although it may be true that you've earned the money and should be able to do whatever you want with it, spending it on *that* particular item may not be what's best for you. Unless you're a billionaire, you're likely to have more uses for your money than you have money, so a better way to think about what you are spending is to ask the following three questions:

1. What are the *benefits* of my making this purchase?
2. How *important* is making this purchase?
3. Is this the *best use* of my money?

Let's say, for example, that you're thinking about buying a new blouse or shirt and ask yourself, "What are the benefits of my buying this?" It could be that you've been feeling a little down lately and buying something new

will just make you feel good. But how much of a real benefit is that? You might be surprised to learn that image consultants and professional closet organizers say that many of those kinds of purchases wind up in the back of the closet unused or rarely used. So maybe buying that piece of clothing isn't such a good idea. Now let's say that you're looking for a new job. But all your blouses or shirts have something wrong with them—a frayed collar or cuffs, a faint stain—and you want to make a good impression at an upcoming interview. Experts on job interviewing say that image matters and it's important that you look your best during an interview. So now there's a different answer to the question “What are the benefits of making this purchase?” Now that purchase has the potential of helping you feel better, look sharper, and get that new job.

The second question asks how important it is for you to buy any specific item. With each expenditure, you can ask yourself if this purchase is (1) an absolute need, (2) a secondary need, (3) a want, (4) a luxury, or (5) just a happy silliness? Ultimately, you may want to develop your own scale, but for the moment let's assume the following:

1. *Absolute needs* include mortgage or rent, utilities, basic clothing, and groceries.
2. *Secondary needs* include basic phone service, medical copayments or deductibles, an automobile if there is no alternative transportation to get to work, and personal insurance (health, life, disability).
3. *Wants* might include organically grown food, cable television service, gourmet coffee, before-dinner drinks, extra phone services such as call forwarding, pets, health club membership, video rentals, charitable donations, and gifts for family and friends.
4. *Luxuries* might include aesthetic improvements to your living quarters, a car if you don't need it for work, a house cleaner, eating out, season sports tickets, season theatre or concert tickets, a six-week vacation to Europe when you only have two weeks' paid vacation, and anything that takes four years or more to pay off.
5. *Happy sillinesses* might include rawhide chews for your dog, spending \$60 at a fair trying to win a huge toy for someone you love, buying new Halloween costumes for all the kids every year, or an I-love-you gift for your partner.

If this scale doesn't work for you, you can adapt it so that it's more appropriate to your lifestyle or way of thinking. But the important thing is to develop some kind of scale that you can refer to routinely to catch your thought process and make decisions that will serve you better. Know if it's

a need, a want, a luxury, or a happy silliness. Taking the time to look at what you spend and placing each expenditure on the scale will be illuminating, as it will tell you a good deal about who you are. And if you go through the process with someone else, making sure to keep it lighthearted and not accusatory, you'll learn where your values systems mesh and where they can become the source of disagreements. The discovery process will be both helpful and intriguing.

Finally, there is the third question of whether this the best use of the money? Even if buying any given item provides you with a relatively valuable benefit *and* can be justified in terms of importance, it's still necessary to ask yourself this final question. This is perhaps the most difficult one to answer, because it essentially requires you to consider your short- and long-term goals and to integrate them. What do we mean by this? Suppose you want to upgrade your computer, but you would also like to get better storm windows for your home. Both have benefits, and both are important, but which is best? In this case, the long-term benefits of saving on energy costs would suggest that it would be best to take care of the windows first.

Here's another example: Your child needs braces, but also wants to go to soccer camp. If there's enough money or credit for both, then there's obviously no problem. But if there isn't enough, then the best choice would be the unpleasant but critical dental work, which in the long run will have a more positive and fundamental effect.

Don't open your wallet without answering these three questions:

1. How will spending the money benefit you or move you closer to your goals?
2. Is it a need, a want, a luxury, or a happy silliness?
3. Is it the best use of your money? As we said earlier, when you buy something with the money you earned, you're giving a part of yourself. So what you are buying better be worth it. If it's not, then what you're really squandering is yourself. If you wouldn't be profligate with your body, why would you be with your money?

Brand names

"Renee," Jarvis called from the kitchen, "where's the funnel?"

"It's where it's supposed to be. What do you want it for?"

"We finished the expensive gin, so I'm going to fill the bottle with the less expensive stuff I bought."

"Jarvis, why not just admit we don't make the kind of money our friends make? You know they'll like us anyway."

"Maybe, but serving the cheap stuff doesn't look right."

Penelope's Perspective

One of the questions we asked in the VQ quiz was if you buy things just because your friends have them. If he was being honest, Jarvis would have to say that he generally buys what his friends buy or, as in this case, at least pretends to. It's clear that he has a nagging worry about not keeping up, and can't be honest about their real standard of living. Having friends who make more money pushes him to spend more, as well as to create "little white lies."

In contrast, Renee is confident that their friends like them for themselves, not just for what they have (or think they have). She could genuinely say that money doesn't define who she is or what she's worth. But because she doesn't object that strongly to Jarvis's gin game, to keep the peace she lets his little deception pass.

Paradoxically, Jarvis may actually be fooling no one. A former bartender explains that you can fool almost anyone by putting an inferior liquor into a mixed drink, but if someone orders it straight up or on the rocks they are likely to taste the difference. So Jarvis may well be found out after all. And, as a result, his friends may begin wondering exactly how much money he does have, and what else he may have lied about.

Although we can understand wanting to be well thought of, the truth is that Jarvis and Renee are risking more than they think in perpetuating this phony image. If their friends actually like them for who they appear to be, they may not really like them for who they are. If you are liked for a phony, highly polished image of you, do you have real friends? Because Jarvis's worry about having a rich image is in control, his decision works against the goal of having an authentic life.

The \$1,000 glance

"Clothes," Susie exclaimed, "I love them! Even when I'm working, I'm thinking about what I can buy so I can look just so."

"We'll have to rename you 'Susie Mall Rat,'" Clare responded. "I've never seen anyone spend so much time shopping."

"You remember that dress I showed you on Saturday? I figured out that the whole outfit—done up with shoes, scarf, and all—will cost me four paychecks."

"It was beautiful," Clare answered. "But how are you going to pay for it?"

"That's what credit cards are for. I'll pay for it eventually. But in the meantime, when I'm walking down the street I want people to see me looking great."

“As long as they can’t see your card balance,” Clare said, “you’ll fool them. You’ll look like a million.”

“Thanks,” Susie answered. “That’s what friends are for.”

Penelope’s Perspective

Susie wants everyone who sees her to think that she’s both rich and fashion-savvy. But does she even know the people she’s trying to impress? Do they know her? And, most important, even if they do think she’s a fashion model, is giving them that fleeting impression worth putting herself in financial jeopardy?

The truth is that you can’t really tell how successful someone is by how he or she dresses. That young man with the torn jeans and stained shirt could be the son of an extraordinarily wealthy financier. Or he could be the chief scientist in an up-and-coming medical research company. Clare knows that’s true, but Susie clearly doesn’t. She thinks that it’s enough to look stunning, whether or not that stunning look is a reflection of her financial status.

Clare provided her friend with something of a reality check by asking how she intends to pay for her purchases, but at the same time fed into Susie’s highest desire by confirming that she looks great! If she is Susie’s friend, it would be better for her to say, “You’re nuts! You can’t keep charging things. You need to do other things with your money. You’re sacrificing your long-term financial goals to short-lived fashion trends.”

If you’re like Susie, the real question to ask yourself is who you are trying to impress with your clothing. If you’re trying to impress strangers—people who don’t know you and probably don’t care about you—it would be a good idea to think again about your buying decisions. However, assuming you’re not a media star, if the way you dress reflects your authentic self—and the best your taste and income will allow—and impressing the outside world is incidental, then you are communicating that you are as comfortable in your second skin as your first. That would be a good goal for Susie.

The down payment

“Look, Brian, here’s a great loan program for first-time home buyers.”

“Do we fit the guidelines?”

Vicki scanned the papers in front of her, then shook her head. “No, I guess we don’t.”

“Don’t be so glum. There’ll be other programs by the time we get the down payment together.”

“You know, I figured it out yesterday. We’ve been giving 15 percent of our income to charity every year. If we stopped doing it for the next two years and only went on one vacation, we could buy a house two years sooner than we planned.”

“But, Vicki, that’s all the money we donate. You know how financially vulnerable those groups are. They need us.”

“I know that, but we need a house. This place is too small and too far from work. And if interest rates go up in the meantime, we’ll have to buy a smaller house.”

“Well, if we have to, we have to. At least we’ll have a house. If it weren’t for our donations, some people wouldn’t have a place to live at all.”

“Our not having a house isn’t going to put them in one.”

“You’re right, but it’ll help. We can’t do all that much, but I’m just not willing to stop doing what we can. What if everyone did that? It will just take longer to buy our house.”

“Brian, I’m tired of putting us last. I want a comfortable house and I want it sooner, not later. There’s got to be another way. What about that guy who says you can buy a house with nothing down? Do you think he was a fraud?”

“I’ll tell you what, Vicki, if you’ll agree to continue the donations, I’ll look at everything else we can do to speed up the timetable. Okay?”

Penelope’s Perspective

Vicki sounds like she’s at the end of her rope. Although she and Brian generally agree about how to spend their money, it’s obvious that this particular subject has hit a nerve. And it’s a good example of what happens when partners disagree about how to achieve major goals. The argument doesn’t have to be between giving to charity and buying a house. It could be between buying a house or saving for education. Or between buying a house with an apartment for an older relative or buying a less expensive house without the extra apartment. It could, in fact, be about many other such either/or choices, and each one has as much potential for creating an explosion as putting a match to a stick of dynamite. In such situations, each person’s priorities sharpen their commitment to one position or another, and the debate reveals what is most important to each of them.

This couple is serious about what they want for themselves, but also about what they would like to do for others. In this instance, though, they are starting to pull in different directions. Fortunately, by the end of the conversation they’re trying to find a creative way to satisfy both of them. Either/or

thinking can be a trap, and brainstorming for alternatives is the healthiest way to break that limited view. They changed the either/or discussion of down payment or charity to a discussion of other means of achieving their goals. (And yes, Robert G. Allen's best-selling real estate book *Nothing Down for the 90s* is a good resource, as are Allen's other books.)

There are also other—more mechanical—ways of resolving such conflicts. Some couples agree that if one of the partners decides one big issue, then the other gets to decide the next one. Some agree that the person who has the strongest conviction or the most to lose gets to decide. Although there are potential problems with these methods as well, the important thing is to find more alternatives and not get locked into a constraining either/or situation.

Engaged

"Patty, we'll be getting married in April, and there's no reason why you shouldn't work after we're married. At least until we have kids. Then you can stay home and take care of the kids. I make enough money to support a family, so you won't have to work. Any money you make will go to child care. We won't be ahead."

"But I don't see why I can't work even after we have kids. Most of the women I know do. I've always earned my own money. I don't think I'll be comfortable living on your money and not bringing in any of my own."

Penelope's Perspective

What advice would you give Patty? Don't marry him if he insists on your not working? This dispute could end the engagement or doom the marriage to divorce. At first glance it looks like the same kind of either/or situation we saw in the "Down Payment" story. But in this case they are both, to some extent, talking about the same thing—earning money and paying the bills. Both have a valid point, both are being logical, and both think their view should prevail. For Alex it's simply a matter of money. He makes enough to support a family and believes that if she worked, their child care costs would wipe out much of what she earned. And Patty's arguing that "I've always earned my own money" translates for Alex as nothing more than a cash flow question. But for Patty it is about how she feels about earning money.

It may be that earning money provides Patty with a sense of identity. Or she may be worrying that if she doesn't bring in money, Alex will make

all the decisions and she won't have a voice in how their money is spent. It also may be that she would just be bored staying home all the time. Whatever the real issue, it's important that Alex and Patty uncover it, explore it, and find a resolution that will take into account both the psychological and financial issues.

If they cannot talk it through, she might have to resolve on her own what earning her own money means to her. Should her sense of identity be wrapped up in it? Is there evidence that he does not respect her judgment in other ways? Does she feel he will force his viewpoint on her? Is money the only way for her to have a voice in the relationship? If so, that's worrisome. Other than this issue, what is the quality of their love? If after she thinks it through, she decides it is too great a matter to give in on, she has options: from breaking off the engagement, to trying to get them to a counselor, to trying to communicate to him what she really is concerned about. This honesty is tough at any point, but better now than later.

Honor your parents

"Felicia, do you remember that funny habit Mom had of keeping her change in her coat pocket instead of a change purse? And how she was always handing it out to people? It was so like her. She was so generous, and so easy with money and other things that people fret about. . . . Anyway, I was dropping my coat off at the cleaners, and I was in the middle of taking the loose change out of the pocket when I suddenly thought of Mom, and I was just flooded with memories. I almost started crying right there at the counter. The guy must have worried about how stable I was. Until that moment, I had never realized that I'd picked up that habit of hers. I admire her so much, and I still want to be like her."

"I know what you mean, Katie. But I'd forgotten all about that habit of hers until you reminded me. Isn't it odd that you remembered it so vividly and I didn't? I wonder why. We're only three years apart. We lived through the same experiences. I have a different memory of Dad that I carry with me. I don't remember how old I was, but I'd gone down into the basement where Dad had his office set up. I was talking to him about something—I don't remember what—and all the time we were talking he was counting change from a little black leather coin holder. He'd already counted the bills in his wallet. . . . You know, he did that every day. So he knew how much he started the day with and how much he had at the end of the day. And he always wrote it down on his account sheets. So he had this sense of order and control. Everything accounted for, everything safe, everything understood. It was very comforting. And when I start to get worried about how to manage the bills and every-

thing else, I call up that picture. It's calmed me more times than I can remember."

"I guess we're lucky to have them to think about."

"I know you're right, but it's painful to miss them so much."

Penelope's Perspective

What are your earliest recollections about money? What do you remember about how the people around you handled it? Do you hear the voices of your childhood echoed in the way you handle money yourself? Even though we don't always realize it, some of how we think about money is a result of how our parents and the other adults around us dealt with it when we were children.

It's worthwhile for you to think about the people who were around as you were growing up and ask yourself how they handled money. Can you see how your own habits are related to those early experiences? There's no gene for being smart and frugal, or for being a spendthrift, so you had to learn about handling money from someone. And if you can determine exactly who that someone was and how they handled money, it may help you understand why you handle money as you do. Even as sisters in the same environment, Katie and Felicia took in the lessons from each parent slightly differently. Katie held the image of their Mom's openhanded generosity while Felicia saw their Dad's careful bookkeeping. They were opposite money activities, but both were important lessons about the balance in handling money.

If the lessons you learned were less desirable ones, identifying them will be the first step in finding a way to change them. As an adult, it's up to you to say, "We'll that's how they were. It wasn't the best classroom for me to learn in, but I'm an adult and I have to get over it. I can do better." Don't hesitate to ask for help in identifying the problems or the solutions.

The post office

The line at the post office was long, and Scott and Jennifer were getting impatient waiting for their father to get to the window. To amuse themselves they pulled and pushed every button on the weight machine, the stamp machine, and the change machine. They were actually rather refreshing—at least compared to we staid adults on line—so we all watched them as we waited.

"Dad, Scott says we need money for the stamp machine."

"Here's two pennies." She ran back to her brother.

But he sent her back. “Dad, Scott said he needs more.”

“Tell him it’s enough.”

A man standing next to him said, “There goes your credibility.” “No,” the father answered, “they think I’m always right. I’ve got it under control.”

On her way back to Scott, Jennifer almost collided with her brother. He was triumphantly marching toward his father with a stamp in his hand.

“What you got there?”

“A stamp!”

“And where did you find the money?”

“I found a quarter in my pocket.”

“What kind of stamp is it?”

“It says 20 cents.”

“And you put a quarter in? You got ripped off. You put in 25 cents and it’s only worth 20 cents. You’re never going to make money being that stupid. Not only did you waste your quarter on something you didn’t need, you got ripped off, too. How dumb can you get?”

Scott was deflated. It was obvious to all of us that he felt foolish and humiliated, but no one knew what to say. No one offered an alternative. They may even have been recalling some similar incident in their own lives.

Penelope’s Perspective

Do incidents like this form us? Or do they just wash off like the chocolate ice cream stain on Scott’s tee shirt? Was Scott learning something, and if so, what was he learning? Unfortunately, this is the kind of everyday incident that people think is normal but can stay with a child well into adulthood and have an effect on how he or she thinks of and uses money. Although it would appear that the boy was shortchanged by the machine, it was really his father who shortchanged him by treating him in a needlessly cruel and potentially damaging way.

Our relationship to money is complicated and many-layered because it’s made up of so many small events like this. It’s possible that Scott might someday become a shrewd business tycoon. On the other hand, it’s equally possible—if not more likely—that he’ll always be insecure about his money decisions. We really don’t know how many or what kind of experiences it takes to form our money sense. What’s important here is for you to think about your own past and assess its impact. If you make the effort, you may well find that there are a few key stories that will help you decipher where your sense of money and your money habits came from.

Davey and the wooden crates

One of my first memories about money was when Franklin Delano Roosevelt was coming to town. I was about six years old and I knew there was going to be a big parade. I'd been to other parades, and I'd heard the people in the back complain that they couldn't see. My dad owned a vegetable store, and in those days the produce came in strong wooden crates. So I got a bunch of crates and loaded them on my little red wagon. And when I got to the parade area I sold them to people so they could stand on them and see F.D.R. as he passed by. I made money. And, I was very satisfied with myself.

Penelope's Perspective

What did you do to make money when you were little? Do you remember what you did with the money? At a distance of 60 years Davey couldn't recall what he did with the money he earned, but he remembered earning it. The power of the story for him was that he came up with an idea, executed it, and succeeded. And that success gave him confidence.

Davey was being very creative—especially for a 6-year-old, and his creativity was rewarded. At a fairly tender age he had already decoded the mystery of business and marketing—understand a need, address the need, and the public will buy from you. As it happens, Davey never became an entrepreneur, but this early experience helped him feel that he could handle money well. Although, even as an adult, not all of Davey's money decisions were good ones, he never lost the confidence he'd gained from the very positive—albeit small—venture with the wooden crates.

Unfortunately, not all of us are so lucky. Some of us have made bad money decisions and have come to feel—whether justifiably or not—that we're poor money managers. But even if you feel that way, even if you lack confidence in your ability to make good money decisions, it doesn't necessarily mean that it's true. Think back into your past and see if you can't find some instances in which you made some good money decisions—spotting a good bargain, shopping with coupons, or staying out of debt. You're likely to find that if you concentrate on the times that you were right, you'll be able to remove or reduce a negative self-image you may have.

“I'm quitting!”

“So if I shut your office door,” Nikki said conspiratorially, “will you confirm the rumors that you got a big pay raise?”

"I am fed up," Olga answered as she took files from her desk drawer and tossed them rather haphazardly into a box. "I did everything for that conference in Spain. It was a huge success. We've gotten sales and raves. And he gave me a pay raise."

"Excuse me, Olga, but am I missing something here? It seems to me that's a reason to be happy. In fact, I'll let you take me out to lunch to celebrate." It was only then that she noticed that Olga wasn't really paying attention. "What in the world are you doing?" she asked.

"Just what it looks like. I'm packing up my stuff and resigning."

"You're WHAT? I'm taking you out to lunch and a long lecture."

"No, Nikki, I've had it with him and his power games. Money isn't everything."

"Look, you know what he's like. What did you want him to do?"

"He could have thanked me."

"Thanked you? What do you think the raise is?"

"It's money."

"Okay, Olga, now I'm really lost. I can't tell if you're crazy or just a prima donna. Yes, of course, it's money! That's how people say thank you in business—at least those who aren't living in Fantasyland."

"No, it's not a substitute for being human and saying thank you."

"Stop packing. We're going to lunch and I'm going to talk some sense into you."

Penelope's Perspective

Although Nikki thinks her friend is being temperamental and unrealistic, Olga believes that money alone isn't sufficient to reward her for her work. Achievement, she believes, can and should be rewarded with something other than money. Academy Award-winning actress Bette Davis said many years ago that the movie studios could have paid her less if they had said, "Well done, Bette."

Contemporary business books like Peter M. Senge's *The Fifth Discipline* confirm Ms. Davis's idea. In addition, recent articles in leading business publications have focused on the need for successful companies to understand that fuller appreciation of their employees as individuals—rather than simply more money—is what will keep them from switching companies. As early as the 1940s, the social philosopher and psychoanalyst, Erich Fromm examined the effects of work on the individual. Work can manipulate us, and alienate us, especially when we are treated like "a cog in the wheel,"² a part of the machinery. As a result, the salaries of assembly line workers must always be increased because money is the only reward they receive for

their work. Having more money and more things softens the impact of battering down the self. In contrast, artists, and other creative people can be paid variably because they can learn from each experience and grow from doing their work. Work sharpens their individuality. The work is the reward.

As we think about the boss's view that money is a sufficient and appropriate reward, we are led to ask about the value of money, and about its limits. We defined money earlier as *part* of what we receive in exchange for our talents. The way Olga responded to her raise reinforces the idea that money doesn't define who you are or what you are worth. In the end, no one—not Olga, Nikki, or you—should allow themselves to be bought off with a raise. You're entitled to not just the money you've earned—you're entitled to recognition as well.

Summary: Valuing

The stories we've provided are keys to the seven important aspects of valuing. The first of these, as exemplified by the stories "Whipped butter" and "Save anything on my paycheck?," is the recognition that cash flow is character. How you spend your money can reveal what your value system is, and each time you make a decision about what you will spend and where you will spend it you are expressing what's important to you. For example, suppose that you're ready to go out for lunch and the choices are a national fast food chain restaurant or a luncheonette that's been owned by the same family for 23 years. Do you automatically go to the fast food restaurant? Or do you think about the friendly service and quality food at the luncheonette, and about how much your patronage means to keeping it in business?

The second important aspect of valuing is determining how you establish value for things. As we showed in "Taste buds" and "The sporting life," the most expensive version of whatever you may be buying is not necessarily the best, and it's important for you to learn how to determine what something is worth regardless of the price tag.

The third important aspect of valuing is recognizing the extent to which money ties in to your identity, as we discussed in "Brand names" and "The \$1,000 glance." If how rich you look, or how much money you have in the bank determines who you think you are, you will lose track of your real value as a person. We recently heard a man say, "I'm 40 years old and my net worth is only. . . . I feel like a failure." As it happens, he was a dutiful son, a good husband, and an excellent father, but because he was concentrating only on the financial aspects of his life he was unable to appreciate his other qualities.

The fourth aspect of valuing is developing the ability to resolve conflicts that arise when two people have different values. As we showed in

“The down payment” and “Engaged,” it’s essential that you avoid getting trapped by either/or thinking. Logic alone will not resolve all your differences; you also must take into account the underlying psychological reasons behind those differences.

The fifth aspect of valuing is recognizing the extent to which we absorb values from others. As we showed in “Honor your parents,” if we allow our memories to work, we may discover subtle but powerful nonverbal messages we absorbed about money. Recognizing which people and events shaped your thinking about money and how to handle it—both good and bad—can enable you to make conscious decisions about whether or not you want to continue being influenced by them.

The sixth aspect of valuing is realizing how our first experiences with money can affect how we think about it later in life. As we showed in “Davey and the wooden crates” and “The post office,” these experiences can be positive or negative, or liberating or damaging, and can continue to have an effect long after the experiences themselves have faded in our memories.

The seventh and last aspect of valuing, as we saw in “I’m quitting!,” is recognizing that money can’t pay for everything. In our work example we showed that we aren’t machines, and that we want not only compensation but recognition, and honest and encouraging evaluation. Work is formative. We shape our work environment at the same time that it shapes us. It is the arena in which we gain skills at tasks, and insights from other personalities. That part of us that is growing wants to be valued—not just paid. The same aspect of valuing can be seen in the parent or spouse who gives gifts—buys things—but doesn’t spend quality time with loved ones. Both children and adults can, of course, enjoy whatever they’ve received, but both can tell if the gift is a substitute for real caring.

Now that you’ve thought more deliberately about the importance of valuing, it might be a good idea for you to go back and review the statements in the Valuing Quotient. What’s your Valuing Quotient now? Are your answers the same as they were before? Do you feel more competent to handle your money in the future? If so, then we’ve accomplished our goal. If not, we suggest four actions. First, write down what puzzles you about valuing or what problem you feel is still unresolved for you. Second, look at the stories again and make a list of the people in the stories who are most like you. How would your solutions differ from those offered in the story or in *Penelope’s Perspective*? Third, identify the people in the vignettes who you would enjoy having around you. What do you think they are doing well that you would like to do? If there are characters you don’t like, does someone close to you share their behavior or values? On further thought, do you resemble one of those characters more than you would like to?

Fourth, as you read other stories, keep asking, “If I acted as this person does, how would my life change? What can I learn from this story that would help someone I know?”

These actions will bring you closer to the heart of each story and give you the opportunity to compare the personalities to people you know. As you do that, you and the book can team up for a deeper understanding of how “emotion plays a huge role in how people make economic decisions.”³

As you’ve seen, valuing is important because it asks you to think about your relationship to money, which is intimate, idiosyncratic, sometimes idiotic, and sometimes wise. It’s important because when we ask money to buy our self-esteem and make us valuable, we abuse ourselves and ask money to do a nonmoney job. On the other hand, when we know how to judge the value of a suit by the cloth, cut, and seams instead of the price tag, and we judge people by their character instead of their clothes, we’ve gained a level of sophistication, even of wisdom. In a busy world, developing values and an integrated value system that connects thought and action requires energy and quiet time. It takes some effort, but the reward is that you live your own life, not someone else’s version of your life.