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The meaning of money JANET PASKIN | DECEMBER 2008 ISSUE

It's not just investment bankers who've been hit hard by the financial crisis. Millions of regular people have seen huge holes blown into their personal savings, education funds and retirement plans. Though the economic challenge is a global one, there are things you can control: namely, your attitude toward money and how you manage your personal finances:

Put your money where your values are. Money should be a means to an end, not the end in itself, says George Kinder, founder of the "life planning" movement within the financial planning profession. Life planning involves deciding what you want money for, then ensuring that your earning and spending serves that purpose. So when clients seek Kinder's financial advice, he asks three questions: If you had all the money you needed, what would you do with your life? If you found out you had 10 years to live, what would you do? And if you found out you had 24 hours left, what would you regret? Most often, he says, people's answers revolve around family, spiritual goals and creativity—not bigger houses. "You learn what you want to accomplish," he says. "That's what money really needs to be about." During tough economic times, it can be revealing to ask: What do I want to accomplish? And how much money, if any, do I really need to do it?

Cut up your credit cards. Paying with plastic has consequences, and debt is only one of them. Credit cards

tend to undermine our best financial intentions. By separating the pain of paying from the pleasure of buying, they encourage us to spend more than we would with cash—20 percent more, according to a study in the *Journal of Experimental Psychology* earlier this year. They also make it easier to spend more than we have. "They should be illegal," says George Lowenstein, professor of economics and psychology at Carnegie Mellon University in Pittsburgh, Pennsylvania.

Reconsider cash. Even when money is tight, everyone has something to trade. Bartering can personalize an otherwise anonymous transaction, and is more common than people think. You may be surprised by how much you can get with "no money down." Green Apple Barter has arranged more than \$500 million in trade among 5,000 companies since 1991; parents have even bartered for their children's college tuition through the service. If your community has its own local exchange trading system (LETS), you can earn credits for providing goods or performing a service; then you can spend the credits on more goods or services. Also, craigslist.org offers all kinds of opportunities to barter.

Invest for the long-term. Where you bank and how you invest matters. Banks take deposits and use them to make loans. While customers can't tell the bank what kind of loans to make, they can decide where to bank. Community development banks put deposits to work locally; so-called "green banks" lend to sustainable

business ventures. Similarly, companies sell stock to raise money for their business. So you can support companies that, in turn, support your values. Already, \$2.7 trillion has been invested in socially responsible mutual funds, which screen their holdings based on social and environmental criteria. They're all different, so with research, you should be able to find one that matches your priorities.

Change the system. It's easy to suggest we all abstain from voracious consumerism. The reality is much more complicated, says economist Robert Frank, author of *Luxury Fever and Falling Behind: How Rising Inequality Harms the Middle Class*. Strong public policy incentives encourage us to make more money, buy bigger houses and invest for maximum gains. When public education is financed by property taxes, a link exists between the value of your home and the quality of your kids' school, he points out. And if quality education is scarce, everyone will compete for that real estate. Same goes for investing. It can be hard to give up maximum returns if it means not having financial security in retirement. Public policy tweaks could slow the financial arms race. "Don't assume it can't happen. Big change is in the air."

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