

# The Money Value of Time

By Elena Fawkner

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You have, no doubt, heard the phrase "the time value of money". It means that a dollar in your hand today is worth more than a dollar in your hand a year from now. Why? Because of what you can do with that dollar over the next year. You can invest that dollar in an interest bearing account and have \$1.05 at the end of the year. If you decide to take your buck in a year, your opportunity cost (foregone investment) will be five cents. Not to mention what inflation will have done to your purchasing power in the meantime.

As interesting as the time value of money is to economists and financial planners, if you're anything like me, you probably find the whole subject just a little short of riveting. So here's something more interesting to think about. The money value of time. Your time, that is.

Why do you need to think about the money value of time? Because, quite simply, once you truly understand what your time is worth, in dollar terms, you will work your business more productively and efficiently than ever before.

In my other life, I'm an attorney. I work for a downtown Los Angeles law firm and, like any other law firm, what counts is how many billable hours I clock each month. We have software to track it all for us of course. My time is charged out at \$250 an hour. In a minimum of six minute increments. This means that if I so much as pick up and read a one paragraph letter from another attorney, my client is billed \$25.

Spend enough time tracking your time like this, getting

to the end of the day and needing to see at least seven billable hours totaled on your computer screen and you soon develop a very healthy respect for the dollar value of time.

And because I don't want to have to be at the office for ten hours before I've generated seven that are billable, let me assure you I work very efficiently indeed.

In the process, I've become an expert at avoiding time wasters and unproductive activities. As a result I can usually generate seven billable hours from being in the office for only eight. (The other hour is unavoidable non-billable general admin type stuff.)

My point? Start thinking like an attorney when it comes to how you value and spend your time. Here's how.

First, decide what level of income you need from your business. For the purposes of our example, let's say it's \$52,000 per year or \$1,000 per week.

Next, decide how many hours you want to work each week. To keep the math simple, let's say you're going to work 50 hours a week. Therefore, on average, you need to generate \$20 for every hour of time you spend working in your business.

But not all of your time will be revenue-generating (i.e., "billable") time. Any business has its share of non-billable time - those routine administrative tasks that must be done even though they make no contribution to your bottom line.

So, now you have a choice. You can either work more hours each week to cover your non-billable time, or you can increase the amount you need to earn from every billable hour. The first option means working longer. The second option means working smarter. Your choice.

Whatever you decide, keep that hourly rate firmly in mind. Every hour of your time is worth \$20 (or whatever rate you have calculated for yourself).

Think about that when the phone rings on a work day and it's your sister wanting you to go with her to the shopping mall this afternoon. There's three hours or \$60 you've just thrown away (not to mention what you spend at the mall!). Tell her you'll go with her on Saturday instead. You have to work today. Think twice about the hour and a half it will take you to do your errands this afternoon. Another \$30 gone. Do them on your own time, not your business's.

Think \$30 here or there won't make any difference? Think about this. Do it twice a week and you've just lost over \$3,000 for the year in potential business. And when you consider that some of that \$3,000 in business would have become repeat business, you're cheating your business out of some serious income.

Apply the same thought process to when you actually ARE working also. What's the better use of your time -- writing an article for this week's issue of your ezine which will hopefully be picked up by other sites and publishers, thereby providing you with valuable free publicity -- or stopping what you're doing every ten minutes each time you get new email? And reading it.

Remember: the hour or two you spend writing your article needs to return the equivalent of \$40 in income. Writing articles is the equivalent of free advertising. You can \*easily\* generate at \*least\* \$40 in income with that sort of no-cost publicity. My articles published on other websites and in other ezines bring me hundreds of new visitors each week. All for about two hours worth of work on my part. No amount of time spent reading email will ever do that.

Contrast how much income you generate by reading non-business-related email during working hours. Zero. It makes absolutely no contribution to your bottom line. So, don't do it when you're working. Do it on your own time.

By having your "hourly rate" uppermost in mind at all times, you can always decide what's the best use of your time. Quite simply, it's whatever alternative will make a direct contribution to your bottom line.

Now, obviously, no-one's going to step forward and hand you \$20 every time you complete an hour's work. You're not someone else's employee - you're running your own show.

Some weeks you'll put in 50 hours but will only receive \$100 that week. Or less. But other weeks, you'll put in the same number of hours and bank \$1,500. It's swings and roundabouts.

It's a good idea to review your expenditure of time against revenue generated on a monthly or bi-monthly basis to get an accurate picture of how you're tracking.

The point is to know what your time is worth so you can ensure you're getting the maximum return on your investment that you possibly can.

It will also help you to determine when the all-important big step of hiring employees is the most cost-effective thing to do. If you can generate more income from each hour if you are free to devote your time to business development activities than it will cost you to pay an employee to take over the routine, administrative tasks that are currently sucking up all your time, you should hire the employee. If you don't know what your time is worth though, how will you ever know when that time has come?

So, next time you're not feeling particularly motivated to write that article and think you'll maybe just go read the newspaper for an hour or so instead, consider this. Would you rather spend \$20 to read the newspaper at 11:15 on a Tuesday morning or would you rather read it for free at 7:30?

Time is money and money is time. Spend them wisely.

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Elena Fawkner is editor of A Home-Based Business Online ... practical business ideas, opportunities and solutions for the work-from-home entrepreneur.

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