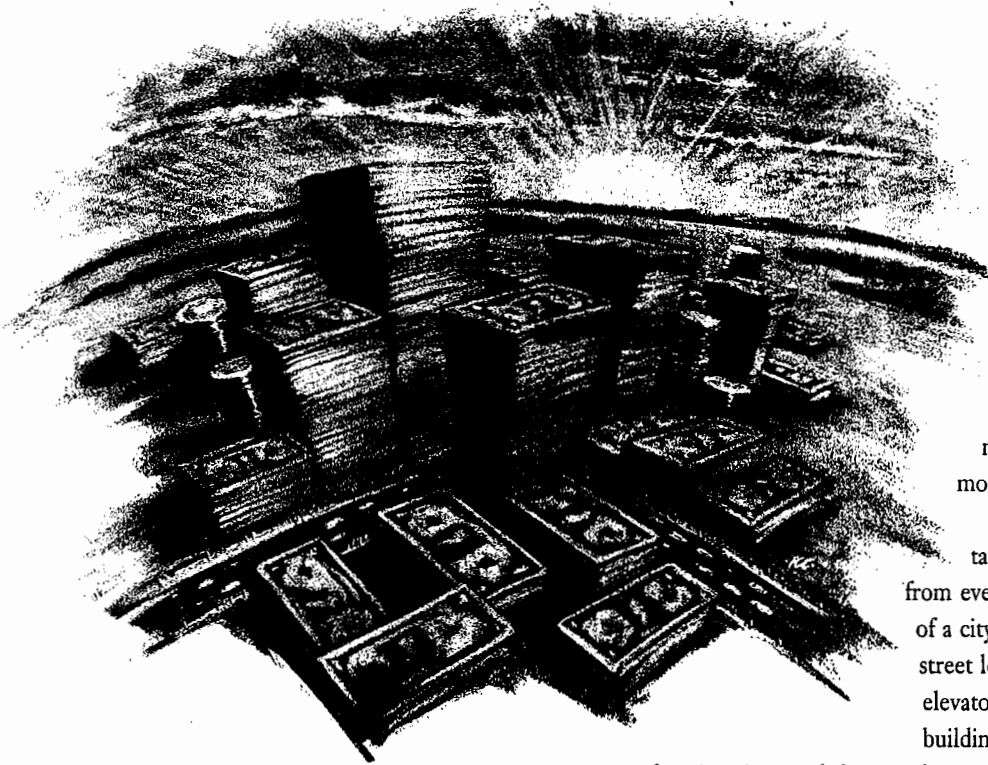


MONEY FOR SOMETHING

We get it, we spend it, we save it... but what is it, really?
Reflections from two leading financial observers.



Normally, when we talk about money, we are really talking about what to do about it. How to get it, spend it, invest it, save it, and ensure that we'll have plenty of it in our old age. Hate it or love it, money is a fact of life.

Yet what *is* money? To answer this question we have to widen our horizons. We must observe not only the material level of money, but the nonmaterial aspects as well.

Let's illustrate this broader perspective by taking a little trip to see the landscape of money from ever-higher vantage points. We'll use the image of a city as a metaphor for this. We'll start out at the street level of Major Metropolis, U.S.A., travel in an elevator to the observation deck of a downtown office building, hop onto a news-and-traffic helicopter to

get a more comprehensive view, and then catch an airplane for an even broader vista.

THE PRACTICAL, PHYSICAL REALM

We start out at ground level. What we see is the normal chaos of city life: people walking in all directions; cars, trucks, and buses honking and screeching up and down the street; couriers whizzing by on bicycles and mopeds. The sounds are so numerous and varied that they seem to disappear into one background roar.

This represents the everyday, "pedestrian" perspective of money. It has to do not only with the physical pieces of paper and metal, but also with all of our financial transactions from cradle to grave. Our first allowance. Our efforts to get a job. Our efforts to get a better job. Indeed, this realm encompasses all of our paid employment.

In addition, this is where we learn money management. How and where to bank. The difference between a CD and a money-market account. How to get a loan. What a mortgage is. How to comparison-shop for price and quality. How to balance a checking account. Which insurance to buy.

Then there's investing. Knowing the differences among and advantages of municipal bonds, zero-coupon bonds, Fannie Maes, Sallie Maes, and Freddie Macs. Buying and selling stocks, futures, options, and junk bonds. And we mustn't forget that all-American rite of passage – the credit card. Then there's tax planning and retirement planning. Income averaging. Keogh plans. IRAs. Trust funds. Charitable donations. Wills.

From the simplest information to the most sophisticated formulas, this street-level perspective represents the whole range of financial transactions we encounter during our lives. Most books about money educate us on how to navigate this street level more skillfully and more profitably.

Our investigation of money can't stop here. So let's go inside the steel-and-glass 40-story office building, the "Tower of Baubles," and take the elevator up to the observation deck, where our perspective increases, our horizons widen, and another aspect of money comes into view.

THE EMOTIONAL/PSYCHOLOGICAL REALITY OF MONEY

From the observation deck, we can look down on all the confusion of the street and see how it fits into the neighborhood. We see an orderly pattern in the bustle of people. They have origins and destinations. The apparently random activity of the street level becomes coherent as we begin to see how the actions of people and vehicles relate to one another.

This neighborhood perspective could represent the first "nonmaterial" level of money, the emotional and mental glue that holds together daily interactions with money. This is the level of our personal thoughts and feelings about money – our money style or personality.

We come to see how our own attitudes about money were shaped by the psychological environment we grew up in. Did your family con-

sider itself rich, poor, or average? Did you grow up in a family where money was discussed openly? Did you have an allowance? Did you have to earn it by doing chores? Did you grow up believing your family had enough money to buy you anything you really wanted and needed? If your parents said no to one of your desires, was it because of money? In your family, did you associate money with rewards? With arguments? With never seeing your father? What were the messages your parents gave you about money?

This perspective of money also encompasses what money means to us, our money mythology. For example, seeing money as security is one of the most common perceptions. For many people, security is having money in the bank and a tenured position. Indeed, for many, financial security means emotional security.

Actually, the belief that money is security is one of the more rational ones you can have. If you live in this culture, it is appropriate to give credence to this belief to the extent that with it we can feed, clothe, and shelter ourselves adequately. But if you were a courier walking through a crime-ridden area at night with a briefcase filled with money handcuffed to your wrist, would you feel secure? If money were truly security, you would. So the myth that money is security is just that – a myth.

What about power? It would seem that a person in the position of giving or withholding money can command compliance and loyalty (or at least the appearance of it) from those dependent on him or her – family, employees, favorite charities.

But if money is power, how do you account for the power of someone like Gandhi? The kind of power that freed India from the British had nothing to do with money, but with what Gandhi labeled *satyagraha*, or "soul force."

It's clear that understanding this neighborhood perspective of money illuminates our interactions with the physical reality of money. But there's more to do on this journey of discovering the truth about money.

THE CULTURAL VIEW

From the observation deck we take off in the news-and-traffic helicopter to get an even more comprehensive view of the city. From here the people and cars at the

street level fuse into a flow of motion. Neither the individuals nor their relationships to one another capture our attention. What takes our breath away is being able to see the whole city in one scan of the horizon. We are all part of this larger metropolitan entity.

This citywide perspective of money encompasses the assumptions we all share about money, our cultural understanding about money. We live and die by the assumption that money is worth something. Money, the economists tell us, is a "store of value" and a "means of exchange."

Even though we refer to it as the almighty dollar, there's nothing sacred about it. Money is a human social invention, a mere 4,000 years old. In families, we (normally) don't charge for our household tasks of sweeping, dusting, cooking, child care, and gardening. Nor do we pay for each meal we eat.

It was once like that in clans and tribes as well. Eventually, however, transactions became too complex for straight barter. So, humans created money as an IOU for goods or services received. Money gets its value at the moment of trade. Money is simply a token, an essentially valueless marker for something that, theoretically, at one time had value to someone.

This citywide perspective surveys not only the history of money and the principles of economics but the sociology and anthropology of money as well. Here we come to understand that our definition of money has been conditioned by many cultural forces. For example, as North Americans we share some common assumptions about money and work – assumptions that an Italian or a native of the Amazon rain forest might well not share.

It is at this level that we find a number of economic bogeymen: inflation, cost of living, recession, and depression. If the Gross National Product is growing at a rate of one percent or below, we're said to be in a recession – and (whether or not our income is affected) we all feel the pinch. We take these economic indicators personally. Likewise, we believe in inflation as tenaciously as children believe in invisible playmates.

These specters – inflation, cost of living, recession, and depression – frighten us into adherence to the economic recipe for well-being: "growth is good" and its corollary, the American

myth of "more is better."

These cultural assumptions also breed in us subtle economic prejudices. We judge our own and others' importance by material yardsticks – the size of our paychecks, the size of our houses, the size of our portfolios. We "size" each other up and feel one up or one down on the basis of these barely conscious assessments. From the citywide perspective, this informal caste system becomes quite apparent – in others and in ourselves.

The broader economic and cultural understanding we gain from the helicopter sheds much light on our money psychology. Yet this perspective still doesn't give us a universally and consistently true definition of money, one that we can count on to apply in any situation.

PERSONAL RESPONSIBILITY

Our helicopter drops us at the airport and we take off in a jet to get an even higher perspective on money. With a roar, we taxi down the runway and lift gracefully off the ground. Quickly we achieve an altitude from which we see the whole region. Here we recognize that the city itself is not the total world. Beyond the city limits, the agricultural and natural world rolls on to the horizon.

From here we can see that our money beliefs and behaviors come from having chosen to live in this particular city. Beyond the borders of the city, other choices are available. You are not a prisoner of Major Metropolis, U.S.A., destined to spend your life making money in the marketplaces it offers. Even if you were born here, you have stayed by choice. This is where personal responsibility begins.

The definition of money we discover in this realm of personal responsibility cuts through the entangling web of thoughts, feelings, attitudes, and beliefs. It is a qualitatively different definition, one that is universally and consistently true, and it returns to us the power we have unconsciously given over to money:

Money is something we choose to trade our life energy for.

This definition of money gives us significant information. Our life energy is more *real* in our actual experience than money. You could even say money *equals* our life energy. So, while money has no intrinsic reality, our life energy does – at least to us. It's tangible, and it's finite. Life

A LOOK AT "FINANCIAL INDEPENDENCE"

Let's begin our quest for financial independence by exploring what images the phrase conjures up for you. Making a killing? Inheriting a fortune? Winning the lottery? Jewels, Porsches, designer clothes? Most of us picture financial independence as an unreachable fantasy of inexhaustible riches.

This idea that financial independence means wealth comes out of the first, street-level perspective of money. This is financial independence at a material level. While it simply requires that we be rich, there's a hidden Catch-22. What is "rich"? Rich exists only in comparison to something or someone else. Rich is a heck of a lot more than I have now. Rich is way more than most other people have.

But we know the fallacy of the myth of more. More is like a mirage. We can never reach it because it isn't real. John Stuart Mill once said, "Men do not desire to be rich, only to be richer than other men." In other words, as soon as rich becomes available to the likes of us, it will no longer be rich.

It is at the jet-plane perspective of money, in the realm of personal responsibility, where we find our first definition of true financial independence.

Financial independence has nothing to do with rich. It is the experience of having enough – and then some. The old notion of financial independence as being rich forever is not achievable. Enough is. Enough for you may be different from enough for your neighbor – but it will be a figure that is real for you and within your reach.

Your first step toward the experience of having enough – and then some – is extricating yourself from identification with the pedestrian level (the material reality of money), the neighborhood perspective (the psychological reality of money), and the citywide perspective (cultural agreements about money). When you have done that, you have achieved financial independence, no matter how much money you have. And until you can do that, you will never be financially independent, no matter how much money you have.

When you are financially independent, the way money functions in your life is determined by you, not by your circumstances. In this way, money isn't something that happens to you, it's something you include in your life in a purposeful way. From this point of view, the normal drama of "nine-to-five till you're 65," of getting ahead, of being rich and famous – all these brass rings we automatically reach for – can be seen as just one series of choices among many. Financial independence is being free of the fog, fear, and fanaticism so many of us feel about money.

energy is all we have. It is precious because it is limited and irretrievable and because our choices about how we use it express the meaning and purpose of our time here on earth.

You have a certain amount of time remaining for such discretionary uses as:

- your relationship to yourself
- your relationship to others
- your creative expression
- your contribution to your community
- your contribution to the world
- achieving inner peace and ...
- holding down a job

Now that you know that money is something you trade life energy for, you have the opportunity to set new priorities for your use of that valuable commodity. After all, is there any "thing" more vital to you than your life energy?

Joe Dominguez and Vicki Robin are co-authors of Your Money or Your Life: Transforming Your Relationship With Money and Achieving Financial Independence, a national bestseller and now a Penguin paperback. ▲