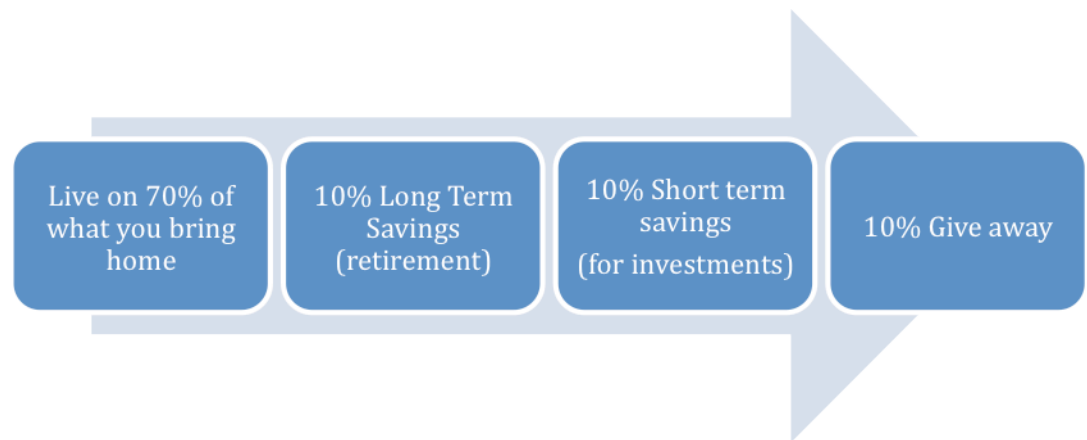


THE ETHICS OF MONEY

Dr. Helen Eckmann

www.JamesLConsulting.com

Every time I teach the subject of ethics students often question how money and ethics are connected. I learned from E. James Rohn ([http://www.goodreads.com/author/show/657773.E James Rohn](http://www.goodreads.com/author/show/657773.E_James_Rohn)) a simple formula for money that I have used for the past twenty years. I share this with you. Listed below is an explanation of this simple formula for handling money in an ethical manner and a few applications and sources for further research.



70% Living Expenses

This means that all bills, mortgage or rent, food, vacations, car payments, and “living” expenses are paid out of 70% of the monthly salary brought home. The concept is to compute how much bring home pay comes in the door each month and then make sure that all of expenses come out of this 70%.

10% Long-Term Savings

This means that 10% of what is brought home each month is put into long term savings, this can be stocks or bonds or a Roth IRA (pay the taxes up front so that when you take it out you don’t have to pay taxes on it) <http://www.rothira.com/> This money is not used for vacations, or unexpected loss of a job. This money is for retirement only.

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10% Short Term Savings

This is money that would be saved up to make a down payment on a house or an investment (not a car that comes from the 70% category as a car is not an investment). This can be used for educational expenses as this is an investment in your future. This money can be the “rainy day investment fund” in case of illness or loss of a job.

10% Give Away

This money is so that a “generous spirit” can be developed. Generous is defined as: “Liberal in giving or sharing or characterized by nobility and forbearance in thought or behavior; magnanimous (<http://www.thefreedictionary.com/generous>). I can’t imagine too many mothers or fathers who would not want their children to be “giving, sharing or noble.” Mother Teresa was opined for her **generous** and charitable **spirit**. The 10% Give Away money can be given to any charitable organization, a church, synagogue, The Humane Society or to feed the homeless. The concept is that 10% of what we get we give away to others for a cause that we think is bigger than ourselves. (Perhaps why this is so important is that it reminds us each month that there are things ‘bigger than ourselves’).

Connecting Money and Ethics?

Most people who make bad ethical choices feel like they had no choice. They either felt their family or they were threatened and they did not have any other options. Ken Lay lied to his employees and his congregation about selling his Enron stocks, partly to save his own family

http://www.nytimes.com/2006/07/06/business/06enron.html?_r=1&pagewanted=all. It stands to reason that when there is money in the bank we have more choices to:

- Walk away from a job that asks us to perform an unethical task.
- Tell the truth to our authority figure even if telling the truth could cost us our job.
- Not take things that are not ours simply because the only way we can think of getting this particular thing is stealing.
- Set a workable example to youth of how to handle money responsibly.

When can we begin?

Lots of people have told me “I don’t make enough money to do this.” I wonder. I’ve worked with a few families with four kids who brought home a combined income of under \$35,000 who decided to use this formula and now have financial freedom. What I have seen is that if people “wait” until they can afford to save they never will. If we don’t save when we make \$35,000 a year we probably won’t save when we make multiples of that amounts either.