



Can money buy happiness?

“Wealth is the ability to fully experience life.”
– Henry David Thoreau

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In your Psych 100 class, you were likely introduced to the concept of “operationalization,” where one concrete variable serves as proxy for a fuzzier, harder to measure construct. It is no secret that for many, the amount of wealth they have amassed serves as shorthand for happiness, but such is hardly the case. While wealth is positively correlated with wellbeing to a point, disconnecting money from purpose is a formula for emotional bankruptcy. One such self-delusional variant of chasing money for happiness is the “I’ll stop ignoring my happiness when I reach XYZ number.” Your magic number may be a salary or it may be a wished-for dollar amount to have in the bank. Whatever it is, I can promise you that when you get there, it won’t seem like enough. You see, we are not conditioned to think of money in terms of “enough.” As one of my clients once said to me, “Doc, you can never be too rich or too skinny.”

The scientific name for this phenomenon is the “hedonic treadmill” or “hedonic adaptation,” referring to the fact that we must make more and more money to keep our level of happiness in the same place. What tends to happen is that our expectations rise and fall with our earnings (as well as other circumstances in our life), keeping our happiness at a relatively stable place. To demonstrate this effect, I’d like for you to consider two groups that seemingly have little in common – paraplegics and lottery winners.

Suppose I asked you, “Which would make you happier, winning the lottery or being in a crippling accident?” Not too tough, right? So, we would hypothesize that one-year after the life-changing event, lottery winners would be much happier and paraplegics would be much sadder. But this is simply not the case. One year after their respec-

tive events, it makes little difference whether you are riding in a Bentley or a wheelchair – happiness levels remain relatively static.

Why? We tend to overpredict the impact of external events on our happiness. One year later, paraplegics have discovered their accidents were not as catastrophic as they may have feared and have coped accordingly. Similarly, lottery winners have found out that having money brings with it a variety of complications. No amount of spending can take away some of the tough things life throws at each and every one of us. As the saying goes, “wherever you go, there you are.” In much the same way, we tend to project forward to a hypothesized happier time, when we have more money in the bank or are making a bigger salary. The fact of the matter is, when that day arrives, we are unlikely to recognize it and will simply project forward once again, hoping in vain that something outside of ourselves will come and make it all better.

A recent Princeton study set out to answer the age-old question, “Can money buy happiness?” Their answer? Sort of. Researchers found that making little money did not cause sadness in and of itself but it did tend to heighten and exacerbate existing worries. For instance, among people who were divorced, 51 percent of those who made less than \$1,000 a month reported having felt sad or stressed the previous day, whereas that number fell to 24 percent among those earning more than \$3,000 a month. Having more money seems to provide those undergoing adversities with greater security and resources for dealing with their troubles. However, the researchers found that this effect (mitigating the impact of difficulty) largely disappears at \$75,000.

For those making more than \$75,000 a year, individual differences have much more to do with happiness than money. While the study does not make any specific inferences as to why \$75,000 is the magic number, I’d like to take a stab at it. Most families making \$75,000 a year have enough to live in a safe home, attend quality schools, and have appropriate leisure time. Once these basic needs are met, quality of life has less to do with buying happiness and more to do with individual attitudes. After all, someone who makes \$750,000 can buy a faster car than someone who makes \$75,000, but his or her ability to get from point A

to point B is not substantially improved. Once our basic financial needs are met, the rest is up to us. Hard work provides the means, but we must find our meaning.

If happiness does not come from hitting the lottery and sadness is not borne of personal tragedy, what does make us happy? Well, fortunately or unfortunately (depending on how well-adjusted your parents are), a great deal of happiness comes from our “hedonic set point,” which is genetically determined. A ten-year, longitudinal study of 1,093 identical twins found that between 44 percent and 52 percent of subjective wellbeing is accounted for by genetic factors. So, roughly half of what makes you happy is out of your control I’m sorry to say.

Of the remaining 50 percent, roughly 10 percent is due to external circumstances and a whopping 40 percent is due to intentional activities, or the choices we make and the purpose we create. We discussed before how we tend to overrate the importance of the things that happen to us, and sure enough, only 10 percent of what makes us happy is accounted for by lucky and unlucky breaks. Eighty percent of the non-genetic components of happiness can be controlled by our attitude and by making choices that are consistent with finding true joy. The first step in this pursuit is ensuring that the goals we are setting for ourselves are consistent with finding true happiness.

If 80 percent of the happiness that is in our control comes from setting and working toward positive goals, what sort of goals should we be setting? Headey has found that goals focused on enriching relationships and social resources are likely to increase wellbeing. We connect with a number of close friends and find joy within those relationships. On the other hand, he found that goals based around monetary achievement have a negative effect on overall wellbeing. Unlike friendship, which we “consume” in limited but satisfying quantities, we feel as though we can never really reach a financial goal. Having a core group of close friends sates us; it is sufficient to meet our social needs and we do not pine for ever-greater numbers of friends. Not so with financial goals; just as we reach our former goal, the hedonic treadmill kicks in and our excitement over having “arrived” is gone in an instant. Dr. Daniel Gilbert, a happiness expert at Harvard University, says that

pursuing wealth at the expense of more satisfying goals has a high opportunity cost. "When people spend their effort pursuing material goods in the belief that they will bring happiness, they're ignoring other, more effective routes to happiness." The simple fact is this: chasing money and material goods is an itch that our flawed psychology will never let us scratch, unless we can define our financial goals in terms of the personal ends they will meet.

In a money-obsessed world that has socialized us to chase the almighty dollar, it can be weirdly unsettling to learn that money isn't everything. As much as we whine about money, having something that is the physical embodiment of happiness is nice. We can hold it, save it, get more of it, all while mistakenly thinking that getting paid is how we "arrive." Realizing that money does not directly equate to meaning can leave us with a sense of groundlessness, but once we've stripped away that faulty foundation, we can replace it with things that lead to less evanescent feelings of happiness. Breaking your overreliance on money as a substitute for real joy is a great first step, a second step is learning to spend your wealth in ways that matter.

Lest we swing from the extreme of "money is the only good" to the opposite extreme of "money is no good," it is worth noting that there are ways in which money can be spent to improve happiness. A lot of our troubles with money stem from the way we spend it, thinking that buying "things" will make us happy. We engage in retail therapy, which is quickly followed by feelings of regret at being overextended. Before we know it, we're surrounded by the relics of our discontent; the things we bought to be happy become constant reminders that we're not. Instead of amassing a museum of junk, spend your money on things of real value. Spend a little more on quality, healthy food and take the time to savor your new purchases. Use your money to invest in a dream – pay yourself to take a little time off and write that novel about which you've always dreamt. Give charitably and experience the joy of watching those less fortunate benefit from your wealth. A growing body of research suggests that the most important way in which money makes us happy is when we give it away. Finally, spend money on having special experiences with your loved ones. It's true that money doesn't directly buy happiness, but it can do a great deal to facilitate it if you approach it correctly.



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