

How to Spend on Happiness

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As wealth advisors, our conversations with clients often focus on ways to save, grow and protect money. Our ultimate goal, however, is to help clients effectively use available resources to improve their lives. This involves making sound decisions about spending money and doing so in a way that can make us happier. Is that possible? Can money really buy happiness?

In their book, *Happy Money*⁽¹⁾, authors Elizabeth Dunn and Michael Norton present evidence that the answer is yes. In their research, they identified several ways we can spend money to increase happiness and add fulfillment to our lives. Here, we'll focus on three ways to spend happier.

Buy Experiences

Practically speaking, it makes sense to purchase material goods over experiences. The material goods we buy can be used both now and in the future. They're tangible; we can see them and feel them. Experiences, like vacations, are only temporary. Once they're over, they become part of the past.

However, research⁽¹⁾ has shown that satisfaction with experiential purchases actually *increases* with the passage of time, while satisfaction for material purchases *decreases*. Think about it this way: How often do we regret something we've done, even if it seemed unpleasant at the time? We are likely to look back on most experiences with fond memories, especially if they resulted in personal growth or enabled us to make a social connection in the process. As for material purchases, such as a new car or furniture set, we tend to appreciate those items less over time. We might take them for granted or regret the purchases altogether.

If you're faced with the choice of purchasing a material thing or an experience, pause and reflect on how you might feel about the purchase over time, perhaps a year or two. You might find that the experience could turn out to have the better happiness return on investment.

Buy Time

We all know time is precious. Research ⁽¹⁾ shows we can derive more happiness by spending money to buy ourselves more time.

There are limits to this, but try thinking about areas of your life where you're spending time in unfulfilling, albeit necessary, ways. Perhaps you can spend money to free up time from housekeeping or other chores? A fun example is one of those vacuum cleaning robots (e.g. [Roomba](#)). It might cost you around \$400, but it could eventually pay for itself by saving you time cleaning your floors.

Also, ask yourself whether a purchase you're planning to make today will increase or decrease your time in the future. A simple example is buying a new TV. This may be a pleasurable purchase for you, but if it sucks up an extra three hours of your week, is it really worth it?

As financial advisors, we see benefits of buying time every day for clients. The complexity of our financial lives requires significant time to manage and simplify. If we do this correctly, it ultimately leads not only to higher accumulated wealth, but also to more time to focus on things that truly matter.

Invest in Others

Spending money on ourselves is not the only way to increase happiness. Spending on others has a tremendous impact on happiness as well. Research ⁽¹⁾ shows that spending on others is more correlated to happiness than spending on ourselves. This might not be surprising to those who give money regularly to charities and family.

However, there are some distinctions. Spending on others will likely yield greater happiness if it's done voluntarily and not out of obligation. Also, the more of a connection you can make with the person or group receiving the money, the more likely you will feel the positive emotional benefits. One nice thing about investing in others is that it doesn't always have to be in the form of money. Giving your time and attention can be just as impactful.



In the end, it might be true that money cannot really buy happiness. However, there are decisions you can make about spending money that are likely to give you that happiness boost. As with all spending decisions, it's important to also look at the practical tradeoffs and not jeopardize your financial security in the process.

It is encouraging that scientific research is giving us new insights into happier spending, and it can be a wonderful new dimension to incorporate into your own financial plan!

Sources:

1. "Happy Money: The Science of Happier Spending" by Elizabeth Dunn and Michael Norton
2. Roomba: <http://www.irobot.com/For-the-Home/Vacuum-Cleaning/Roomba.aspx>

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