

# Can money buy happiness?: The relationship between money and well-being

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Researchers are investigating new directions in the science of spending. Four presentations during the symposium "Happy Money 2.0: New Insights Into the Relationship Between Money and Well-Being," delve into the effects of experiential purchases, potential negative impacts on abundance, the psychology of lending to friends, and how the wealthy think differently about well-being. The symposium takes place during the SPSP 16th Annual Convention in Long Beach, California.

## Anticipation for experiential purchases

[Research](#) published in the journal *Psychological Science* has shown that experiential purchases—money spent on doing—may provide more enduring happiness than material purchases (money spent on having). Participants reported that waiting for an experience elicits significantly more happiness, pleasantness and excitement than waiting for a material good.

"The anticipatory period [for [experiential purchases](#)] tends to be more pleasant...less tinged with impatience relative to future material purchases we're planning on making," explains lead researcher Amit Kumar. In an analysis of stories in the news media about long lines, "Those waiting for an experience tended to be in a better mood and better behaved than those waiting for a material good."

Given the results, the researchers suggest that it may make sense to delay consumption of some purchases, and shift spending away from material goods to more experiences. In short—start planning for vacations, dinner parties and concerts ahead of time to reap more benefits from anticipation.

## Abundance, adversity and savoring

Can less really be more? [Research](#) published in *Personality and Social Psychology Bulletin* shows that both material and experiential wealth tends to

reduce people's ability to savor simple joys and experiences. Wealth and abundance may undermine appreciation and reduce the positive emotions associated with everyday experiences.

In contrast to abundance, experiencing adversity in the past or scarcity in the present increases individual's ability to savor everyday moments, according to a [study](#) published in *Social Psychological and Personality Science* (SPPS). "Simply reminding individuals that the future can be unpredictable drives people to stop and smell the roses," says lead researcher Jordi Quoidbach.

Temporarily giving something up may provide an effective route to happiness, concludes another [study](#) published in SPPS. Consistently indulging in pleasure and abundance may not be the most productive route to happiness.

## The cost of lending money

Researchers at UCLA and Harvard Business School are studying how lenders and borrowers differ in how they mentally account for loaned funds, and the expectations for how the money should be spent.

The researchers showed that lenders were angriest when borrowers purchased hedonic (vs. utilitarian) items. In a follow up study, researchers distinguished lending from other types of exchanges, finding those who had loaned money (versus gifted or paid) reported the most anger towards those who purchased a hedonic item with the funds. A third study demonstrated lenders believe they are entitled to far more oversight over what the borrower purchases than borrowers believe lenders to be, especially for larger amounts of money. These results shed light on the root of the anger lenders feel when borrowers seem to 'misappropriate' their loan.

"Our work shows that interpersonal lending can

become an emotional minefield, especially for the lender and particularly when the borrower makes purchases that are hedonic rather than utilitarian," explains lead researcher Noah Goldstein.

### **What do the wealthy need to be happy?**

Many people believe that becoming rich is the path to happiness, but pursuing wealth may be an ineffective means of pursuing well-being. According to a study from researchers at Harvard Business School, the University of Mannheim and Yale University, wealthy individuals report that having three to four times as much money would give them a perfect "10" score on happiness—regardless of how much wealth they already have.

"Wealthy individuals—whether worth \$1 million or \$10 million—are not happier as their wealth increases," says lead researcher Michael Norton. The research shows that current [happiness](#) is not related to wealth and may even be negatively related to income. The study is expected to be published in the coming year.

Provided by Society for Personality and Social Psychology

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