

Principles of Happier Money

You can buy happiness – if you know how to use your money to maximize your wellbeing. That’s what Elizabeth Dunn & Michael Norton found in the research for their book, *Happy Money*.ⁱ In an accessible and comprehensive book, the two professors pull together a multitude of research at the intersection of money and happiness. And what they found may surprise you. Here’s the skinny on the principles of happ(ier) money.

Buy Experiences

Material things do not provide as much happiness as *experiences*. Booking that ice hotel in Quebec, throwing yourself into a stinky pond in a Tough Mudder race, or reserving a ticket to outer space on Virgin Galactic will make you happier than buying a nicer home or a flat-screen TV because you are building your “experiential CV,” connecting with others, and making meaningful memories. Why? Buyer’s remorse is less likely to occur if you spent your money on an experience, even if it’s a little bit painful and especially if you come out of it with a good story to tell your friends. So remember that next time you want to put off that trip to Machu Picchu because its expensive. It’s money well spent!

Make it a Treat

Appreciation is another key to getting the best happiness bang for your buck. Abundance is the enemy of appreciation. If you have a latte everyday, it no longer becomes a treat, right? It’s just a \$4 thing you gulp down to get your caffeine fix. But if you restrict yourself to the house brew Monday through Thursday and splurge on a latte on Friday, it becomes a treat that you’ll savor. Or think about it this way – does it matter how fancy your car is if you’re always driving it to mundane things like work and errands?

Buy Time

Buying a Roomba so you don’t have to vacuum your kids’ Cheerio pieces off the carpet every night might free you up to spend with your spouse—and save your marriage. But think long and hard before putting in the swimming pool that you’ll probably spend more time maintaining than enjoying. Research here suggests that we could do a lot more to harness the power of spending our time in happier ways – sometimes by outsourcing our dreaded tasks to others or to material things. Experiments show that simply asking yourself the question “how will this purchase change the way I use my time?” will help you to make choices that produce more happiness than if you thought about your purchase in terms of money.

Pay Now, Consume Later

Paying for concert tickets or an all-expenses paid vacation in advance will increase the happiness you derive from the event at the time because you’ll have had the fun of anticipating it—and you’ll be tricked into thinking those margaritas by the pool are “free.” Experiments show that paying earlier and delaying the consumption of a purchase allows us to savor the upcoming experience – and sometimes we get as much benefit out of that anticipation than out of the thing itself!

Invest in Others

Researchers gave participants \$5 and asked half the group to spend it on themselves and half the group to spend it on others. At the end of the day, which group was happier? Investing in others provides more happiness than spending money on yourself, Dunn and Norton show in a series of worldwide experiments. And it works whether you’re a college student, a Ugandan citizen, or a toddler. Prosocial spending—spending on others—gives people the biggest boost when the generosity is a choice, connects us with others, and makes a clear impact. Learn more about how you can harness this research in your relationship in our *Giving Together* workbook, too.

ⁱ Dunn, E. & Norton, M. (2013). *Happy money: The science of happier spending*. New York, NY: Simon & Schuster Paperbacks.