

## Four Proven Ways To Buy Happiness With Money

*“It is the preoccupation with possessions, more than anything else, that prevents us from living freely and nobly.” – Bertrand Russell*

The relationship between money and happiness is complex. Some studies have found that having more money is associated with a greater sense of well-being and fulfillment. This makes sense. Money provides greater security against the unknown, more options and opportunities, and a greater sense of control over our lives.

However, other research concludes that, beyond a certain level of income, money does little to increase happiness. One study found that emotional well-being correlates with income only up to about \$75,000 a year (about \$90,000 in current dollars). This also makes sense. Once we have met our basic needs plus a little discretionary income, other things become more important to how happy we are.

This apparent conflict occurs because people differ vastly in what they care about and how they spend their money. Compare billionaire Richard Branson’s private island in the Caribbean to Warren Buffett’s house in Omaha, NE that he’s lived in since 1958 and is worth about \$1 million.

What most studies agree on is that how we spend our money is more important to our happiness than how much of it we have. Here are four proven strategies for buying happiness.

### 1. Buy Experiences Rather Than Things

Most people experience an initial rush of pleasure when they buy something, but as they adapt to the new possession, their joy declines to its prior level. Some people keep on buying things to perpetuate the thrill of new purchases and are continually disappointed; material purchases rarely generate long-term happiness.

But spending money on experiences, particularly memorable and enjoyable ones, can boost our sense of well-being for much longer.

Experiences do more to elevate our sense of happiness because we anticipate and remember them better. An upcoming vacation or dinner with friends can generate positive feelings for hours, days, or weeks ahead. And we remember experiences more vividly and longer than purchases; a 40-mile bike ride with friends is generally more memorable than buying a sweater. We don’t get bored by memories of experiences, but we quickly forget purchases.

Another reason experiences eclipse things is that they often involve other people, and we like social interactions. Human beings are the most social species on the planet, and we’ve evolved to want to be with each other. So, purchases that enhance contentment are those that generate experiences with

# ST. LOUIS TRUST

## & Family Office

others. A year ago, my wife and I bought a new house. It's much better than our old one for gathering and entertaining, so it's made us happier by increasing the amount and quality of time we spend with our friends and family.

### 2. Spend money on other people

Spending money on others makes many people happier. A 2008 study in the journal *Science* compared how much people spend on others to their reported happiness levels. The researchers concluded there was no correlation between happiness and the amount spent on oneself while “higher prosocial spending was associated with significantly greater happiness.” The researchers bolstered this conclusion with an experiment in which participants were given money and told to spend it on themselves or someone else. The group that spent their windfall on others reported greater happiness and self-satisfaction.

Spending money on others can be as straightforward as giving money to charity or buying gifts for holidays and birthdays. But there are other ways too:

- Treat a friend to lunch or dinner.
- Bring bagels to your office for everyone to share.
- Buy a little gift for a loved one when there's no holiday or birthday.
- Put money in someone else's parking meter if it is running low on time.

### 3. Spend it on smaller pleasures rather than big-ticket items

Which is better for promoting our happiness: a single two-week vacation or multiple weekend trips? While the two-week vacation might sound more appealing, research suggests that shorter, more frequent trips make us happier.

We can explain this through evolution. Our survival as a species has always depended on adapting to the status quo. If a prehistoric human found himself in a forest foraging for fruit and nuts all day—bored but staying alive—it was a situation he would want to preserve. There was no reason to rush off and do something different that might result in a premature death. So, we tend to get used to a new status quo and revert to our base level of contentment.

People who win the lottery are initially happier but usually decline to their previous state of happiness within two years. People who acquire a disability are less happy initially but often rise to their base level of happiness after a period too.

So vacations are initially exciting, but after a short time, we get used to being there, and the excitement declines. Surprises and new experiences elevate our sense of well-being the most, and these are best achieved with more frequent experiences and purchases rather than infrequent big-

# ST. LOUIS TRUST

## & Family Office

ticket ones.

#### 4. Use Money to Buy Time

British economist, John Maynard Keynes, forecast in a 1930 essay that advancements in technology and productivity would bring us more leisure time. He predicted that his grandchildren would work only 15 hours per week. As we all can attest, this didn't happen. Instead, our wealth gains over the past 90 years have been accompanied by greater pressure on our time, increased anxiety, and lower senses of well-being and happiness. People with higher incomes experience more time stress than others because they not only spend more time working in order to generate their greater incomes, but also use their money to indulge in more time-sucking activities like buying more things and engaging in social activities.

Buying time can reduce stress and boost happiness, but not all time is equal. Sitting on the couch by yourself won't make you happier; you must use your time well. Time spent on obligatory activities is less enjoyable than time spent on freely chosen ones, so money spent on reducing obligations on our time is well spent. A 2017 study supports this conclusion. Researchers gave volunteers \$40 each to spend on time-saving and material purchases on alternate weekends. Participants reported less stress and better moods after the time-saving purchases.

You can reduce time spent on obligations like yard work, house cleaning, grocery shopping, and cooking, for instance, by hiring a yard service, a cleaning service, Instacart, and Doordash, respectively. Further, people typically rank commuting at the low end of what they enjoy, so money spent on a home closer to the office is among the best investments in happiness that you can make.

*St. Louis Trust & Family Office is an independent, multi-family office and trust company that advises clients on more than \$13 billion of investment assets and more than \$15 billion of total wealth. Founded in 2002, St. Louis Trust & Family Office provides holistic, high-touch client service including customized, independent investment management and a full range of family office and fiduciary services. The firm serves a limited number of clients with substantial wealth in order to maintain very low client-to-employee ratios. Visit [stlouistrust.com](http://stlouistrust.com) to explore how the firm manages complexity with unmatched expertise and focuses on Family, Always.*