

Five Key Principles of Happy Money

If you think money can't buy happiness, you're not spending it right! At least, that is the conclusion of researchers Elizabeth Dunn (University of British Columbia) and Michael Norton (Harvard), two rising stars in the world of behavioral science.

In *Happy Money: The Science of Happier Spending*, Dunn and Norton provide an engaging and often entertaining tour of recent research that shows, from the standpoint of personal well-being, how we can get the biggest bang for our bucks.

They explain, "By focusing on how to spend the money you have rather than how to accumulate more of it, our perspective departs from the obsession with chasing increased wealth in the pursuit of happiness."

Their own research, and that of several colleagues, reveals the following five key principles of happy money:

1. Buy Experiences – Mark Twain was right when he wrote, "Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do." Scientific studies demonstrate that purchasing experiences (such as trips, concerts, and special meals) provides longer lasting happiness than purchasing material goods (such as houses, clothes, and electronics).

2. Make it a Treat - When something wonderful is always available, we tend to take it for granted. For example, we tend to savor a latte less if we have one every day rather than reserve it for a weekend indulgence. The authors explain they are not advocating self-denial, but rather looking for ways to view whatever we purchase as a special treat.

3. Buy Time - By permitting ourselves to outsource our most dreaded tasks, our money can transform the way we spend our time and free us to pursue our passions. Before making any purchase, Dunn and Norton recommend asking ourselves how it will affect our use of time. They write, "When people focus on their time rather than their money, they act like scientists of happiness, choosing activities that promote their well-being."

4. Buy Now, Consume Later – The French verb *se réjouir* refers to the experience of deriving pleasure in the present from anticipating the future. That is because we tend to "derive more joy from things coming to us in the future than from things already received."

However, our social norms and ubiquitous use of credit cards have encouraged the opposite mindset--"consume now and pay later." By reversing this trend in our personal lives, we will not only save money, but we also reap the many rewards of anticipation.

5. Invest in Others - New research demonstrates that spending money on others provides a bigger happiness boost than spending money on ourselves. And, surprisingly, Dunn and Norton found that this principle holds true in an extraordinary range of circumstances including both rich and impoverished countries. Their research demonstrated that Investing in others can make individuals feel both healthier and wealthier.

Additional Resources:

The TED Interview: "Design Your Life for Happiness" with Elizabeth Dunn

Psychologist Elizabeth Dunn argues that happiness is made, not found, and explains how our everyday choices -- about time, money and technology -- help create it. This episode was recorded on February 5, 2020. (Audio only)

https://www.ted.com/talks/the_ted_interview_design_your_life_for_happiness_with_elizabeth_dunn

TEDxCambridge: "How to Buy Happiness: with Michael Norton

Michael Norton shares fascinating research on how money can indeed buy happiness -- when you don't spend it on yourself. Listen for surprising data on the many ways pro-social spending can benefit you, your work, and (of course) other people.

https://www.ted.com/talks/michael_norton_how_to_buy_happiness

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