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JOURNAL REPORTS: WEALTH MANAGEMENT

What's an Experience Worth? The Math Is Tricky

Increasingly, people are valuing experiences over things. But the hard part is knowing how to compare the two



What do we get from an experience that will last for a couple of weeks, at most? It's like trying to quantify a feeling or a memory.
PHOTO: GIACOMO BAGNARA

By Kevin McAllister

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I recently faced a small spending decision that spoke volumes: I had to choose between buying a pair of tickets to a Major League Baseball playoff game or a new jacket for the fall. My budget wouldn't accommodate both, so it was one or the other.

For many people, no doubt, it would be a no-brainer. The game will be over in a matter of hours; the jacket will last me, well, possibly forever but at least for many years.

It isn't that simple, though. Studies over the years have shown that my generation tends to value experiences over things—and I'm very much aligned with those findings. I'll forgo the new iPhone for a chance to talk with my favorite band backstage, or skip a top-of-the-line laptop to take a trip to the place on its screen saver.

Still, while it’s one thing for people like me to say we value experiences, it’s another to put a price tag on it. We know what we get from a thing that will last a long time. But what do we get from an experience that will only last for a couple of weeks, at most? It’s like trying to quantify a feeling or a memory.

In an effort to do just that, Thomas Gilovich, a professor of psychology at Cornell University, published a study in 2014 that examined how long the feeling of happiness lasted for people who purchased experiences as opposed to those who bought things. In his study, the depreciation happened more quickly for the second group, and his conclusion was that when choosing how to spend money, the experiential option is often the more satisfying one. He credited that to three factors: the social capital it creates, the identity it helps us build and the value it has in isolation.

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This analysis rings true for me and others I have talked to. Take a friend of mine in Chicago, who shelled out around \$400 recently for a new pair of shoes to celebrate another year in her job. In the moment, she thought it was a purchase that would bring her much happiness. She figured that others would compliment her on how good they looked, and that every time she wore them she’d get a burst of confidence since they symbolized another year of hard work.

Then her phone began to buzz as her friends planned a trip to Myrtle Beach, S.C. Suddenly, she wasn’t so sure about the shoes.

As they hashed out the details for the impromptu trip, she realized she’d made a miscalculation. Even though she didn’t have both options available to her at the time of purchase, she looked back and knew that what she’d be missing out on was more valuable to her than the shoes, that her money would have been better spent on a \$5 pair of flip-flops and an Airbnb with her friends. Socially, she wouldn’t be a part of an experience that would likely bring her friends closer. She’d miss out on talking about the shared memories for years down the line in addition to the anticipation leading up to it. And the trip itself would be an enormous amount of fun.

None of this means that spending money on things always results in buyer’s remorse or that it’s always better to go for the experience. Of course, some experiences are bad, and many things are necessary. And the line between things and experiences can be blurry—making the math all the more tricky.

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i For instance, a friend of mine spent more than \$1,000 on a bike this year, a significant chunk of change that represented months of saving. He knew that same money could have taken him halfway around the world on a unique trip—an experience that would have brought him happy memories for a long time. And yet he opted for a thing he could hold. Why?

The answer is that while the bike wouldn't get him across an ocean, he knew it would create innumerable experiences closer to home. This wasn't a "thing" that would lose its ability to thrill after a few weeks, as a new TV or car or sofa would. Rather, he and his friends now look forward to rides after work, and they spend hours mapping out possible trips. He has gotten to know the city better than ever.

In effect, he wasn't valuing the bike on what the sticker price was or how long it would hold that value, but on how he'd be able to use it to create happiness after it was no longer the newest model.

Another thing to consider is that some experiences lose their punch if they are treated like things. Consider a friend of mine from Los Angeles who bought a ticket to go to the Coachella festival this past spring with a group of friends, something he had been wanting to do for a while.

The ticket, accommodations and food ran him more than \$900, putting a good-sized dent in his savings. Still, he never questioned whether going to the festival was worth it until a few months ago, when his friends started talking about next year's event. It was a tough choice for him. He enjoyed the trip this year, and he thought he'd probably enjoy going again.

But in the end, he decided once was enough. He worried that if he went a second year, the experience—both the memory of this year's and the one for next year—would become commoditized, and that it would feel too much like a thing he *had* to have rather than something he was fortunate enough to get to do. The memory would lose some of its punch.

I get it, and it's the same kind of calculation I was making when I chose to skip the coat and get the tickets a few weeks ago. I was trying to think long term about how I might feel about either in a year or two or five. Though I knew I'd get more actual use out of the coat in the coming months, it was the game that I could see myself talking about for much longer.

And sure, I was freezing cold inside the stadium. But I'm confident it was worth every penny.

Mr. McAllister is a reporter for The Wall Street Journal in New York. You can reach him at kevin.mcallister@wsj.com.

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