5

SPENDING MONEY WELL

Katherine B. Hanniball, Lara B. Aknin, and Dylan Wiwad

Many people devote a substantial portion of their waking lives to earning more money, presumably motivated by the belief that having more money will make them happier (Aknin, Norton, & Dunn, 2009; Kahneman, Krueger, Schkade, Schwarz, & Stone, 2006). While this belief may be widespread, it is not necessarily accurate; money does not always bring happiness. Indeed, a large body of research has revealed a positive but modest relationship between wealth and well-being, especially within First World nations (e.g. Diener & Biswas-Diener, 2002; Diener, Ng, Harter, & Arora, 2010; Diener & Oishi, 2000). The modest association does not mean that money *cannot* buy happiness, but instead suggests that one reason money may not always lead to well-being is because people are not informed of research-supported routes to happier spending choices. In the current chapter we aim to encourage happier spending by reviewing new evidence demonstrating that spending money in certain ways can promote well-being. We begin by summarizing the relationship between income and happiness and then discuss how having money (or even simply being exposed to reminders of money) can hinder engagement in well-known happiness-enhancing strategies. Finally, we spend the bulk of the chapter presenting strategies to overcome these hurdles and promote happier spending.

Overview of the Relationship Between Income and Happiness

Hundreds of studies have probed the relationship between income and subjective well-being (SWB; e.g. Easterlin, 1995), typically defined as the presence of high positive affect, low negative affect, and positive evaluation of one's life (Diener, 1984). While the strength of this relationship varies depending on what form of well-being is measured (e.g. daily happiness or life satisfaction), whether one looks within or across nations, and whether cross-sectional or longitudinal data are examined, the general pattern of results reveals that the association is positive, modest, and complex (Diener & Biswas-Diener, 2002; Diener et al., 2010; Diener & Oishi, 2000). In general, the strongest relationships tend to emerge when looking at the association between income and life satisfaction across countries using correlational data. For instance, at the national level, income and SWB are strongly correlated, with citizens in wealthier countries reporting higher well-being (Diener & Biswas-Diener, 2002). In one investigation, people living in richer nations were 1.25 times more likely to be satisfied with their lives than people living in poorer nations (Diener & Biswas-Diener, 2002). However, the relationship between income and SWB is weaker within nations, especially wealthy ones (Diener et al., 2010). For example, one study of 6,000 Swiss adults found a positive but small relationship between individual income and well-being—compared with the poorest Swiss citizens, only a slightly higher percentage of the wealthiest Swiss adults report being completely satisfied with their lives (Frey & Stutzer, 2000). In other work, researchers have found that income is associated with greater life satisfaction up to $75,000 a year, at which point more money does little to increase well-being (Kahneman & Deaton, 2010). Importantly, the association is weaker when income is correlated with day-to-day happiness than with overall life satisfaction (Kahneman & Deaton, 2010).

Given that money can provide the means to aid the pursuit of most goals in daily life, money should be able to effectively increase happiness. So why is the relationship between money and happiness weaker than expected? Below we consider how money can open the door to materialism, thwart the promotion of social connection and prosociality, as well as introduce time strain and an overabundance of choice.

Materialism

Materialism is defined as the belief that the acquisition of material goods leads to life satisfaction (Richins & Dawson, 1992). Research suggests that as people earn more money, they tend to consume more, which may lead to increases in materialism (Headey, Muffels, & Wooden, 2008; Keynes, 1936). Indeed in many places, one's status within society is strongly determined by the acquisition of material possessions, which function as markers of financial success (Dittmar & Pepper, 1994; Kasser & Sheldon, 2000). While materialism may be a meaningful status signal to others, it can be bad news for happiness. Indeed, individuals who are more materialistic also report a series of negative psychological and emotional outcomes, such as increased likelihood of severe psychological disorders (Cohen & Cohen, 1996), increased anxiety (Kasser & Ahuvia, 2002), less positive affect, greater depression, and increased substance abuse (Kasser & Ryan, 1993, 1996, 2001). Beyond correlational results, recent longitudinal evidence provides some insight into the direction of causality by demonstrating that increases in materialism are associated with decreases in subjective well-being over time, while decreases in materialism are associated with increases in well-being (Kasser et al., 2014).

Materialism may be associated with, and lead to, lower well-being for several reasons. First, materialistic individuals hold more favorable attitudes toward taking on debt (Watson, 2003), which can result in compulsive buying and increased financial concerns (Gardarsdóttir & Dittmar, 2012). Second, because people more readily adapt to newly purchased material goods, the happiness one experiences from even the most thrilling of material purchases, such as a new sports car, can quickly fade, leaving the spender looking for the next exciting item to buy. This cycle—the thrilling purchase, excitement fade, and subsequent desire for new material possessions—grows the gap between wanting and having, which lends itself to materialism and decreased well-being (Norris & Larsen, 2011). Thus, one reason more money may not bring as much happiness as most people suspect is because increased income may lead to materialism and materialistic consumption, which has been shown to have negative psychological consequences.

Prosociality and Social Connection

Another reason why having more money may not make people happier is that money can impede prosocial behavior (Côté, House, & Willer, 2015; Piff, Kraus, Côté, Cheng, & Keltner, 2010) and increase attention to oneself as opposed to others (Vohs, Meade, & Goode, 2006, 2008), both behaviors which undermine well-known predictors of happiness: social connection and prosociality (see Helliwell & Huang, 2011; Lyubomirsky, King, & Diener, 2005). Evidence supporting these claims comes from both correlational and experimental investigations. For instance, national survey data in the United States revealed that high earning households ($100,000+ year) donate a smaller percentage of income to charity each year than low earning households (under $25,000 per year; Piff et al., 2010). Moreover, simply being led to feel that one enjoys a higher socioeconomic status (SES) than others has a causal impact on charitable behavior. For example, in one study, participants were asked to think about a ladder as representing where people stand with respect to social class in the United States. Those in the high social class condition were asked to imagine themselves close to the top of the ladder and think about the differences between themselves and those at the bottom of the ladder, whereas those in the low social class condition were asked to imagine themselves as close to the bottom, and asked to think about the differences between themselves and those near the top. Results revealed that participants made to feel that they occupied a higher relative social class provided less to charity than those led to feel that they inhabited a lower social class (Piff et al., 2010).

One reason that greater personal wealth may have a negative impact on generosity is because higher income people tend to be less likely to espouse egalitarian attitudes and exhibit empathy toward strangers (Kraus & Keltner, 2009; Piff et al., 2010). And indeed, several studies have shown that simply reminding people of money makes them more likely to turn their focus inward, and less likely to help others—even romantic partners—given the opportunity to do so (Savani, Mead, Stillman, & Vohs, 2016; Vohs et al., 2006). Taken together, these results suggest that having more money or simply being reminded of money can increase autonomous behavior and decrease prosocial action, thereby reducing happiness.

Time Use

More often than not, financial success is accompanied by demands on personal time. Indeed, top quintile earners in the United States are twice as likely as those in the bottom quintile to work more than 48 hours per week (Kuhn & Lozano, 2008). Given that there are a fixed number of hours in a day, more time spent working means less time available for other interests and emotionally rewarding activities. Supporting this logic, a time use survey of almost 9,000 Americans revealed that people who earn more than $100,000 per year spent a greater portion of their time engaging in activities that are often rated as some of the least enjoyable (e.g. commuting and compulsory non-work activities, such as grocery shopping or childcare) and less time engaging in passive leisure than those who earn less than $20,000 per year (Kahneman et al., 2006).

Beyond shaping one's daily activities, income may also influence one's daily activity partners. Results from a recent study demonstrate that wealthier Americans not only spend less time socializing than poorer Americans, but when they do socialize, higher income earners spend less time socializing with close relational ties, such as family members, and more time socializing with friends (Bianchi & Vohs, 2016). This difference in socializing patterns is hypothesized to occur because lower income individuals invest in relationships that provide instrumental support, such as money and child care, during times of need, while the wealthy need not do so because they are financially secure (Bianchi & Vohs, 2016). Thus, while financial success may be alluring, higher incomes are accompanied with time use price tags, often requiring one to spend *more* time working and engaging in mandatory non-work activities and *less* time seeking out activities shown to actively boost happiness, such as socializing with friends and family members.

The Paradox of Choice

More money brings the luxury of choice because expensive vehicles, prime real estate, and artisanal, dairy-free smoked gouda are all within reach! Meanwhile, someone who earns little money has little choice in pursuing these options and is relegated to purchasing only what is within their budget. While it may seem that having more options to choose from is more enjoyable, research has demonstrated that a plethora of choice may actually *undermine* happiness or satisfaction. Coined "the paradox of choice," findings demonstrate that having too many options can result in negative psychological consequences, such as decreased intrinsic motivation, task performance, and post-decision satisfaction (Iyengar & Lepper, 2000). In a series of three studies Iyengar and Lepper (2000) showed that people were less likely to engage in desirable behavior, described in these contexts as making a purchase or writing a college essay for extra credit, when they were given many options to choose from as opposed to only a few. In addition, while being presented with too many options did not make the selection process less pleasant, it did undermine satisfaction with one's choice after selection. Indeed, participants randomly assigned to select a chocolate from a relatively large set of 30 chocolates reported greater happiness than participants assigned to select a chocolate from a relatively small set of six chocolates, yet those selecting from the larger set were less satisfied with their choice (Iyengar & Lepper, 2000). Thus, while people often belief having a large array of choice will make them happier, it appears that having too many choices can be detrimental for well-being.

Summary

The relationship between income and well-being is positive but complicated, differing in strength as a result of numerous factors. Given that money can provide the means to achieve many desirable things, why does it not lead to greater happiness? One intriguing possibility is that money introduces challenges by promoting materialism, reducing social connection and prosocial behavior, increasing time strain, and introducing too much choice—all of which have detrimental consequences for happiness. That said, money need not be a counteracting force for happiness and, if anything, should be seen as an opportunity for increasing happiness if it is spent wisely. As such, we dedicate the remainder of the chapter to outlining several research-supported routes to happier spending.

Happier Spending

The choices an individual makes in *how* to use their finances can impact their happiness. The following section of the chapter explores how smarter spending decisions can provide an effective avenue for increasing one's happiness.

Our suggestions for happier spending are grounded in models of human well-being and psychological flourishing, which suggest that once basic physiological demands have been met (e.g. stable access to housing, food, medical care, etc.; see Diener & Biswas-Diener, 2002; Kahneman & Deaton, 2010, for reviews), financial decisions and spending choices that fulfill core psychological needs are the most likely to result in happiness. To this end, Self-Determination Theory (Ryan & Deci, 2000) explains that humans have three basic psychological needs: (1) *autonomy* defined as the need to see one's actions as self-determined, (2) *competence* defined as the need to see oneself as an effective and capable agent, and (3) *relatedness* defined as a sense of belonging or connection to others (see also Bandura, 1977; Baumeister & Leary, 1995; DeCharms, 1968; Patrick, Knee, Canevello, & Lonsbary, 2007; White, 1963). Together these three needs are crucial for experiencing physical and psychological well-being (Howell, Chenot, Hill, & Howell, 2011; Reis, Sheldon, Gable, Roscoe, & Ryan, 2000; Ryan & Deci, 2000; Sheldon, Ryan, & Reis, 1996). Spending decisions that fulfill one or more of these needs, and aid in personal growth and goal attainment, are more likely to result in greater well-being than those driven by other motives, such as wealth, fame, personal glory, or physical beauty.

Do More, Accumulate Less

While it is common to think about the benefits of money in terms of the material objects it affords, a large body of research demonstrates that one of the safest bets to make with one's money is to buy experiences, not things (Carter & Gilovich, 2010; Dunn, Gilbert & Wilson, 2011; Van Boven & Gilovich, 2003). In line with research cited earlier in this chapter demonstrating that materialistic individuals tend to report lower subjective well-being than non-materialistic individuals (Belk, 1985; Richins & Dawson, 1992), a national survey of over 1,200 Americans revealed that experiential purchases (defined as purchases made with the primary intention of acquiring a life experience, such as a vacation or fancy dinner out) were associated with greater happiness than material purchases (defined as purchases made with the primary intention of acquiring a material good, such as an article of clothing or iPhone; Van Boven & Gilovich, 2003). This association remains (albeit to differing degrees) across age, ethnicity, gender, geographic region, and political affiliation, suggesting that the hedonic value of experiential over material purchases is a robust and common phenomenon.

The relative benefit of experiential over material purchases appears to extend beyond the present moment and is detectable for recalled spending choices as well. Indeed, numerous experiments demonstrate that individuals randomly assigned to recall and describe an experiential purchase report higher happiness after the fact than individuals assigned to recall and describe a material purchase, suggesting that simply *remembering* an experiential purchase (that trip to Paris) can have mood benefits (Van Boven & Gilovich, 2003). Further, a survey of Cornell University students revealed that individuals are also more likely to "mentally revisit" their experiential purchases than their material ones (Van Boven & Gilovich, 2003), perhaps because material objects reside within our possession, whereas experiences can only be accessed via memory. In sum, it seems that the emotional benefits of experiential purchases are accessible not only during consumption, but can have far-reaching future consequences as well.

Of course, not all material purchases are disappointing and not all experiential purchases are delightful. Recent research provides insight into what types of experiential purchases are the most rewarding, when, and for whom. For instance, one recent study examining the effect of experiential versus material purchases on momentary happiness revealed that while experiential purchases provide more *intense* momentary happiness at specific occasions, such as the thrill of attending a rock concert with your best friend, material purchases lead to more *frequent* momentary happiness over a two-week period, like the satisfaction one feels using their new fitbit (Weidman & Dunn, 2016). Further, the relationship between materialistic versus experiential purchases and well-being is influenced by demographic variables, such as income and education. National survey data reveal that individuals with low income and low education report that material and experiential purchases make them equally happy (Van Boven & Gilovich, 2003). This finding is not particularly surprising in light of the fact that individuals with little discretionary income devote a larger proportion of their money to basic needs, which must be met. As such, the relative happiness benefits of experiences over possessions may only be of concern, and accessible, to those who earn enough to set aside funds for discretionary use.

Why do experiential purchases lead to greater subjective well-being than material purchases? At least four key reasons may exist. First, experiences are more likely to be shared with other people and are therefore more likely to foster social connection than material items (Caprariello & Reis, 2013; Kumar, Mann, & Gilovich, 2014). For example, when one invests in a vacation or a nice meal out on the town, it is likely that the experience will be enjoyed with friends and family. Given that positive social connections and interpersonal relationships are one of the strongest predictors of happiness (e.g. Bradburn, 1969; Diener, 1984; Fordyce, 1983; Larson, 1978; Lyubomirsky et al., 2005), one reason experiential purchases promote greater happiness than materialistic purchases are because they promote time spent with others, satisfying the basic human need for relatedness and connection.

Second, while excitement generally accompanies the acquisition of new material objects, the "joy of new toys" tends to lessen with time as buyers adapt to their presence. Therefore, another reason why experiential purchases tend to lead to greater well-being than material ones is because experiential purchases are less susceptible to adaptation. Additionally, because experiential purchases are more mutable compared to material ones, they are also open to increasingly favorable reinterpretations through retrospection, again making them more difficult to adapt to (Mitchell, Thompson, Peterson, & Cronk, 1997).

Third, material purchases are more susceptible to comparative evaluations than experiential ones, and as a number of studies have demonstrated, social comparisons can diminish the subjective value of positive events and objects (Brickman & Campbell, 1971; Easterlin, 1995; Frank, 1985, 1999). A series of studies conducted by Carter and Gilovich (2010) revealed that people experience greater indecision when making material purchases than experiential ones, in part because they were more likely to make evaluative comparisons when faced with a material purchase decision. In addition, when making a material purchase people are more likely to try and *maximize*, or compare all possible options and select the best alternative (a decision-making strategy that has been linked to negative psychological consequences; see Carmon, Wertenbroch, & Zeelenberg, 2003; Shwartz et al., 2002). In contrast, when making experiential purchases people are more likely to *satisfice* or select a minimum standard for overall quality and select the first option that meets this standard (Carter & Gilovich, 2010).

Finally, experiences lead to greater happiness than material purchase because they are more central to one's identity. Indeed, relative to material purchases, people believe experiences are more representative of their personalities and are more likely to be mentioned as part of their life stories (Carter & Gilovich, 2012). Similarly, people believe that learning about others' experiences are more revealing of their personality than material purchases (Carter & Gilovich, 2012). Thus, if you find yourself deciding between a new outfit or a weekend getaway, several converging lines of research suggest that the latter option will yield greater happiness both in the moment and in the long run.

Make Time a Priority over Money

Time and money are two concepts that, while distinct, are inextricably linked in day-to-day life because working individuals sell their time in exchange for money. As such, people may be faced with an important decision: should they choose a higher-paying career that demands longer hours or should they work fewer hours to enjoy more free time?

When making this decision, consumers may find it helpful to know that prioritizing time or money may have well-being consequences. Indeed, data from several large surveys indicates that while the majority of Americans report a preference for having more money over more free time, those who prefer more free time report greater happiness (Hershfield, Mogilner, & Barnea, 2016; Whillans, Weidman, & Dunn, 2015). As such, it is possible that finding ways to have more time may promote happiness, and indeed, preliminary findings support this possibility. For example, in one study, participants randomly assigned to write about why having more time is preferable to having more money reported marginally higher happiness than those assigned to write about how having more money is preferable to having more time. Interestingly, additional work supports the opposite causal relationship as well; participants who underwent a happiness mood induction reported a greater preference for time over money than participants who underwent a negative affect induction (Hershfield et al., 2016).

If time and happiness are reliably linked, one intriguing possibility is to use one's financial resources to buy time and, in turn, happiness. Doing so allows individuals to outsource their unpleasant, time-consuming tasks that reduce free time and well-being, such as cooking, cleaning, and family care, for those they find more enjoyable (Whillans, Dunn, & Norton, 2016). For example, if you particularly dislike cleaning, use available funds to hire a housekeeper or if cooking dinner at the end of a long day is a particularly distasteful task, invest in a gourmet meal delivery service. Doing so not only reduces annoyances but also may promote need fulfillment by providing time with friends and family (relatedness), or opportunity to learn a new skill (competence).

Spend on Others

Another route to happier spending involves using money to benefit others. In fact, a growing body of research suggests that giving may be a reliable route to happiness. Supporting this claim, correlational data indicate that spending more money on others in an average month predicts higher levels of happiness while spending more money on oneself is not associated with well-being (Dunn, Aknin, & Norton, 2008). Moreover, the relationship between generous spending and happiness is causal. When students were randomly assigned to spend a $5 or $20 windfall on either themselves or others, those told to spend on others were significantly happier at the end of the day (Dunn et al., 2008). The emotional rewards of generous spending can be detected in brain activity (e.g. Harbaugh, Mayr, & Burghart, 2007) and in rich and poor countries around the globe (Aknin, Barrington-Leigh et al., 2013; Aknin, Broesch, Hamlin & Van de Vondervoort, 2015). Even children under two years of age display larger smiles when sharing edible treats with others than when receiving treats themselves (Aknin, Hamlin, & Dunn, 2012).

When are the emotional rewards of generosity most likely to emerge? Givers experience the greatest happiness benefits when their gift meets at least one of three criteria. First, givers are happiest when their gift is impactful—when they can see how their generous action will benefit others. Indeed, experimental evidence indicates that individuals who elected to donate to charity were happier giving larger donations when they gave to a charity that explained how their gift would be used to assist those in need than when giving to a similar charity that did not provide this information (Aknin, Dunn, Whillans, Grant & Norton, 2013). Therefore, understanding how one's gift will benefit others is an important catalyst for turning good deeds into good feelings. Second, the target of generosity also matters. All else being equal, spending money on strong social ties, such as friends, family, and close others leads to greater emotional rewards than spending on weak social ties, such as strangers or acquaintances (Aknin, Sandstrom, Dunn, & Norton, 2011). Third, giving is more likely to lead to happiness when generosity allows for social contact and fosters a sense of social connection, which can be achieved by selecting gifts that encourage time spent together (Aknin, Dunn, Sandstrom, & Norton, 2013). Another way to increase social connection or feelings of closeness is to give gifts that represent the giver (as opposed to the recipient). In fact, research has shown that people randomly assigned to recall a time when they gave a gift that was reflective of their "true self" and displayed their own interests, passions, or personality, reported feeling closer to the gift recipient than people assigned to recall a time they gave a gift that reflected their knowledge of the recipient's interests, passions, and personality (Aknin & Human, 2015).

In sum, there are several reasons why spending money on others is more rewarding than spending on yourself. Perhaps most importantly, using personal resources to benefit others fosters social relationships, which satisfies the fundamental human need for social connection (Aknin, Dunn, Sandstrom, & Norton, 2013). Additionally, prosocial spending provides an avenue for satisfying competence needs when it is possible to directly witness the positive impact spending decisions have on recipients (Dunn et al., 2008). Finally, behaving generously, whether by donating money to charity or spending money on a romantic partner, provides the opportunity for positive self-presentation, which itself has been shown to have a positive impact on mood (Dunn, Biesanz, Human, & Finn, 2007).

The previous sections have discussed how purchasing experiences instead of material objects, using money to buy yourself more free time, and spending money on others as opposed to oneself can lead to greater happiness. In the following sections we shift focus away from the content of spending (or *what* to spend on), and turn attention toward broader spending strategies (or *how* to spend more generally) with the aim of increasing well-being.

Avoiding Adaptation

Adaptation refers to the process of habituation or becoming accustomed to something that was once new (e.g. Frank, 1999; Frederick & Lowenstein, 1999). As humans, we adapt to both good things and bad, and this process of adaptation, coined "the hedonic treadmill" (Brickman & Campbell, 1971; Frederick & Lowenstein, 1999) applies to our purchases as well. Luckily, there is one easy and inexpensive way to forestall adaptation to pleasurable experiences, including purchases, and that is to break up larger experiences into smaller episodes (Dunn et al., 2011; Kahneman, 1999; Mellers, 2000). Not only is this strategy easier on one's pocket book, but also several small pleasures tend to bring more happiness than one large one because happiness is more strongly associated with the frequency of positive experiences than the intensity of those experiences (Diener, Sandvik, & Pavot, 1991). For instance, students given the option to get news about receiving an excellent grade on an assignment twice in one day, or on two separate days, vastly preferred the latter option (Linville & Fischer, 1991). Similarly, participants who received two 80-second massages with a 20-second break in between found the experience more pleasurable than participants who received a continuous 180-second massage (Nelson & Meyvis, 2008), even though the former group spent 20 seconds without the glorious deep tissue relaxation!

In addition, when investing in these small pleasures, be aware of the pitfalls of overconsumption. As it turns out, *it is* possible to have too much of a good thing and this truth holds for the big purchases as well as the small. Just as that chocolate cake becomes less enjoyable with each mouthful, if you end every night with a trip to your neighborhood ice cream parlor for a scoop of Dulce de Leche, the experience begins to feel routine. To avoid adapting to one's favorite items and experiences, heed advice offered by Dunn and Norton (2013) and "make it a treat." By limiting access to the things we enjoy we actually invigorate our appreciation of them, ensuring that when we *do* indulge in these pleasures, they bring us the happiness we are aiming for.

Happiness, Thrift, and Saving

After receiving a windfall of cash it is common to hear "don't let it burn a hole in your pocket." This quip serves as a reminder that just because money is accessible, money does not need to be spent. Extolling the virtues of thrift, recent work by Chancellor and Lyubomirsky (2011) illustrates how efficient (as opposed to opulent) use of one's finances can bring happiness in and of itself. These authors offer several principles to help consumers spend less and enjoy more. First, take the time to appreciate what you have by directing attention to purchases past and "savoring" what is already owned. This process, which is similar to that of counting one's blessings in a gratitude intervention, has been shown to bring about significant increases in well-being when performed on a regular basis (Emmons & McCullough, 2003; Froh, Sefick, & Emmons, 2008). Second, discover new uses for old things. As opposed to simply letting past purchases fade into the background, outsmart adaptation, and save money by discovering new uses for old items. Consider taking your old car on a new adventure, or repurposing your side-table as a bar-cart to host friends and family at a cocktail party. Strategies such as these transform material purchases into new experiences (thereby capitalizing on the emotional benefits of experiences) as well as reignite excitement about old possessions. Third, rent instead of buy. Sometimes it is not necessary to own something to experience it, and renting is often a cheaper option. The strong desire to be at the wheel of a Ferrari, or ride a sailboat around the harbor can be equally satisfied by renting the car or boat for an afternoon as it can by buying the same item (Chancellor & Lyubomirsky, 2011).

In addition to saving your money, renting also allows the consumer to outsmart adaptation. Because, by necessity, one must return what has been rented, the consumer can reap all the benefits of the first "thrill" of a new purchase, but skip out on the inevitable adaptation that accompanies ownership. Fourth, do it yourself. Recent work by Norton and colleagues (2012) has revealed that labor can lead to love. Coined the "IKEA effect," items such as IKEA furniture and paper cranes tend to be more highly valued when self-assembly was required (and successful! Many of my attempts at assembly have taken much longer than they should have done!) than when the products arrived complete. As such, when contemplating purchasing a new table or chest of drawers, a DIY approach will likely simultaneously save you money and increase your fondness for the object. Further, opting to build or assemble an object yourself has the added value potential for learning a new skill, which brings us to our final suggestion: facilitate intrinsic goals. Intrinsic goals refer to activities that are personally rewarding, provide deeper meaning, and satisfy the human needs for competence, autonomy, and relatedness (Ryan & Deci, 2000). Therefore instead of spending money on items related to externally driven goals, such as wealth, fame, or physical beauty, focus instead on pursuits that allow personal growth—for example, learning a new language, having coffee with a friend, or donating to a personally meaningful cause. Activities such as these tend to come with a lower price tag and greater emotional rewards.

While an abundance of money may not necessarily buy happiness, an abundance of debt can bring about pain. As several studies have now demonstrated, debt is associated with a range of psychological burdens such as stress, depression, and suicidal ideation/behaviors (Bridges & Disney, 2010; Brown, Taylor, & Price, 2005; Meltzer et al., 2011), as well as negative health outcomes (Sweet, Nandi, Adam, & McDade, 2013). Given that subjective well-being is just as much about infrequently feeling bad as it is about frequently feeling good (Diener et al., 1999), changing one's life to decrease negative affect can greatly alter one's well-being. Therefore individuals living with debt should focus on relieving their financial strain to bring about changes in subjective well-being (Chancellor & Lyubomirsky, 2011).

But what about saving? There is surprisingly little literature directly exploring the emotional benefits of a healthy piggy bank, however related research suggests that financial security could promote well-being. In particular, having money available for emergencies buffers against unpredictable troubles and therefore provides a sense of control, which has been linked to overall life satisfaction (Klonowicz, 2001; Lang & Heckhausen, 2001; Reis et al., 2000). Indeed, to the extent that savings permit predictable life patterns, such as consistent and reliable childcare or automobile checkups that prevent car failure, savings may contribute to a sense of well-being and purpose in life (Hicks & King, 2009; King, Hicks, Krull, & Del-Gasio, 2006).

Finally, saving money represents potential for the future, and anticipating future positive events is one way to tap into happiness at no cost. Just as many children lay awake on the evening of December 24th, imagining what delightful surprises await them under the tree, consumers can reap more benefit from their purchases by capitalizing on uncertainty and anticipation. Supporting this logic, research has shown that people often view upcoming vacations in a more positive light before the experience than during it (Mitchell et al., 1997). Greater enjoyment before experiences than during them may be a result of the fact that idyllic forecasts are rarely tarnished by the daily hassles that plague real experiences. As such, the happiness one experiences when anticipating future expenditures that could be made with one's savings may be an underappreciated source of joy that comes free of charge.

Concluding Remarks

Overall, the relationship between money and happiness is nuanced and complex. While having, or being exposed to, money may preclude some sources of happiness, intuitively it seems as though money should afford opportunities for increasing personal well-being—and the good news is that it can. Indeed, this chapter offers several suggestions for how to use money to effectively increase personal well-being. Whether by investing in positive experiences to be shared, spending on loved ones, bankrolling the pursuit of intrinsic goals, or even setting funds aside in anticipation of future desires, there are a handful of ways of turning wealth into well-being, leaving the choice of which (or all) strategies to employ up to you.

While research has uncovered numerous ways to make smarter and happier spending choices, several intriguing questions remain ripe for investigation. In particular, future work could probe the association between savings and subjective well-being. One reason people may hesitate to save money for the future may be *temporal discounting*, the tendency to place decreased value on something available in the distant future. However, if savings can be conceptualized as a "betterment" of one's current situation, an investment in one's future self, or reframed as a down payment on a new car or vacation home, consumers may be able to capitalize on the excitement of future consumption and translate tucked-away funds into an untapped source of happiness.

Along similar lines, another interesting avenue for exploration is whether we can use our funds to incentivize our own long term-goals, helping us overcome short-term weaknesses and commit to behaviors that are likely to bring happiness in the long run. For example, if running a half marathon is your fitness goal, set aside a sum of money by giving it to a friend or family member for safe-keeping to act as a reward for reaching your goal or a penalty for failing.

Then, use the funds to treat yourself for the accomplishment (e.g. buying a new running outfit) or lose out but help others (e.g. have your friend donate the funds to a charity of *her* choice). Using money to commit to beneficial behaviors that may otherwise be avoided might incentivize these actions and make it more likely that we reap the mood benefits associated with goal attainment and personal expansion.

References

Aknin, L. B., Barrington-Leigh, C. P., Dunn, E. W., Helliwell, J. F., Burns, J., Biswas-Diener, R., … Norton. M. I. (2013). Prosocial spending and well-being: Cross cultural evidence for a psychological universal. *Journal of Personality and Social Psychology*, *104*, 635–652.

Aknin, L. B., Broesch, T., Hamlin, J. K., & Van de Vondervoot, J. (2015). Prosocial behavior leads to happiness in a small-scale rural society. *Journal of Experimental Psychology-General*, *144*, 788–795.

Aknin, L. B., Dunn, E. W., Sandstrom, G. M., & Norton, M. I. (2013). Does social connection turn good deeds into good feelings? On the value of putting the "social" in prosocial spending. *International Journal of Happiness and Development*, *1*(2), 155–171.

Aknin, L. B., Dunn, E. W., Whillans, A. V. Grant, A. M., & Norton, M. I. (2013). Making a difference matters: Impact unlocks the emotional benefits of prosocial spending. *Journal of Economic Behavior and Organization*, *88*, 90–95.

Aknin, L. B., & Human, L. J. (2015). Give a piece of you: Gifts that reflect givers promote closeness. *Journal of Experimental Social Psychology*, *60*, 8–16.

Aknin, L. B., Hamlin, K. J., & Dunn, E. W. (2012). Giving leads to happiness in young children. *PLoS ONE*, 7(6), e39211.

Aknin, L. B., Norton, M. I., & Dunn E. W. (2009). From wealth to well-being? Money matters, but less than people think. *The Journal of Positive Psychology*, *4*, 523–527. doi:10.1080/17439760903271421.

Aknin, L. B., Sandstrom, G. M., Dunn, E. W., & Norton, M. I. (2011). It's the recipient that counts: Spending money on strong social ties leads to greater happiness than spending on weak ties. *PLoS ONE*, *6*(2), e1708.

Bandura, A. (1977). *Social learning theory.* Englewood Cliffs, NJ: Prentice Hall.

Baumeister, R. F., & Leary, M. R. (1995). The need to belong: Desire for interpersonal attachments as a fundamental human motivation. *Psychological Bulletin*, *117*, 497–529.

Bianchi, E. C., & Vohs, K. D. (2016). Social class and social worlds: Income predicts frequency and nature of social contact. *Social Psychology and Personality Science*, 7(5), 479–486.

Belk, R. W. (1985). Materialism: Trait aspects of living in the material world. *Journal of Consumer Research*, *14*, 113–127.

Bradburn, N. M. (1969). *The structure of psychological well-being.* Chicago: Aldine.

Brickman, P., & Campbell, D. (1971). Hedonic relativism and planning in the good society. In M. H. Appley (Ed.) *Adaptation-level theory: A symposium* (pp. 287–304). New York: Academic Press.

Bridges, S., & Disney, R. (2010). Debt and depression. *Journal of Health Economics*, *29*, 388–403.

Brown, S., Taylor, K., & Price, S. W. (2005). Debt and distress: evaluating the psychological cost of credit. *Journal of Economic Psychology*, *26*, 642–663.

Cameron, Z., Wertenbroch, K., & Zeelenberg, M. (2003). Option attachment: When deliberating makes choosing feel like losing. *Journal of Consumer Research*, *30*, 15–29.

Caprariello, P. A., & Reis, H. T. (2013). To do or to have, or to share? Valuing experiences over material possessions depends on the involvement of others. *Journal of Personality and Social Psychology*, *104*(2), 199–215.

Carter, T. J., & Gilovich, T. (2010). The relative relativity of material and experiential purchases. *Journal of Personality and Social Psychology*, *98*(1), 146–159.

Carter, T. J., & Gilovich, T. (2012). I am what I do, not what I have: The differential centrality of experiential and material purchases to the self. *Journal of Personality and Social Psychology*, *102*(6), 1304–1317.

Chancellor, J., & Lyubomirsky, S. (2011). Happiness and thrift: When spending (less) is (hedonically) more. *Journal of Consumer Psychology*, *21*, 131–138.

Cohen, P., & Cohen, J. (1996). *Life values and adolescent mental health*. Mahwah, NJ: Erlbaum.

Côté, S., House, J., & Willer, R. (2015). High economic inequality leads higher-income individuals to be less generous. *PNAS*, *112*, 15838–15843. doi:10.1073/pnas.1511536112.

DeCharms, R. (1968). *Personal causation*. New York: Academic Press.

Diener, E. (1984). Subjective well-being. *Psychological Bulletin*, *95*(3), 542–575.

Diener, E., & Biswas-Diener, R. (2002). Will money increase subjective well-being? *Social Indicators Research*, *57*(2), 119–169.

Diener, E., & Oishi, S. (2000). Money and happiness: Income and subjective well-being acrossnations. In E. Diener & E. M. Suh (Eds.), *Culture and subjective well-being* (pp. 185–218). Cambridge, MA: MIT Press.

Diener, E. Sandvik, E., & Pavot, W. (1991). Happiness is the frequency, not the intensity, of positive versus negative affect. In F. Strack, M. Argyle, & N. Schwarz (Eds.), *Subjective well-being: An interdisciplinary perspective* (pp. 119–140). Oxford: Pergamon.

Diener, E., Suh, E. M., Lucas, R. E., & Smith, H. L. (1999). Subjective well-being: Three decades of progress. *Psychological Bulletin*, *125*(2), 276–302.

Diener, E., Ng, W., Harter, J., & Arora, R. (2010). Wealth and happiness across the world: Material prosperity predicts life evaluation, whereas psychosocial prosperity predicts positive feeling. *Journal of Personality and Social Psychology*, *99*, 52–61. doi:10.1037/a0018066.

Dittmar, H., & Pepper, L. (1994). To have is to be: Materialism and person perception inworking-class and middle-class British adolescents. *Journal of Economic Psychology*, *15*, 233–251. doi:10.1016/0167-4870(94)90002-7.

Dunn, E. W., Aknin, L. B., & Notron, M. I. (2008). Spending money on others promotes happiness. *Science*, *319*, 1687–1688.

Dunn, E. W., Biesanz, J. C., Human, L. J., & Finn, S. (2007). Misundetsanding the affective consequences of everyday social interactions: the hidden benefits of putting one's best face forward. *Journal of Personality and Social Psychology*, *92*, 990–1005.

Dunn, E. W., Gilbert, D. T., & Wilson, T. D. (2011). If money doesn't make you happy, then you probably aren't spending it right. *Journal of Consumer Psychology*, *21*, 115–125.

Dunn, E. W., & Norton, M. I. (2013). *Happy money: The science of smarter spending*. New York, NY: Simon & Schuster.

Easterlin, R. A. (1995). Will raising the incomes of all increase the happiness of all? *Journal of Economic Behavior and Organization*, *27*, 35–47.

Emmons, R. A., & McCullough, M. E. (2003). Counting blessings versus burdens: An experimental investigation of gratitude and subjective well-being in daily life. *Journal of Personality and Social Psychology*, *84*, 377–389.

Fordyce, M. W. (1983). A program to increase happiness: Further studies. *Journal of Counseling Psychology*, *30*, 483–498.

Frank, R. H, (1985). *Choosing the right pond: Human behavior and the quest for status*. New York: Oxford University Press.

Frank, R. H. (1999). *Luxury fever: Why money fails to satisfy in an era of excess.* New York: Free.

Frederick, S., & Lowenstein, G. (1999). Hedonic adaptation. In D. Kahneman, E. Diener, & N. Schwarz (Eds.), *Well-being: The foundations of hedonic psychology* (pp. 302–29). New York: Russel Sage Foundation.

Frey, B. S., & Stutzer, A. (2000). Happiness, economy, and institutions. *Economic Journal*, *110*, 918–938. doi:10.1111/1468-0297.00570.

Froh, J. J., Sefick, W. J., & Emmons, R. A., (2008). Counting blessing in early adolescents: An experimental study of gratitude and subjective well-being. *Journal of School Psychology*, *46*, 213–233.

Gardarsdóttir, R. B., & Dittmar, H. (2012). The relationship of materialism to debt and financial well-being: The case of Iceland's perceived prosperity. *Journal of Economic Psychology*, *33,* 471–481. doi:10.1016/j.joep2011.12.008.

Harbaugh, W. T., Mayr, U., & Burghart, D. R. (2007). Neural responses to taxation and voluntary giving reveal motives for charitable donations. *Science*, *36*, 1622–1625.

Headey, B., Muffels, R., & Wooden, M. (2008). Money does not buy happiness: Or does it? A reassessment based on the combined effects of wealth, income and consumption. *Social Indicators Research, 87*(1), 65–82.

Helliwell, J. F., & Huang, H. (2011). Well-being and trust in the workplace. *Journal of Happiness Studies*, *12*, 747–767. doi:10.1007/s10902-010-9225-7.

Hershfield, H. E., Mogilner, C., & Barnea, U. (2016). People who choose time over money are happier. *Social Psychological and Personality Science*, *7*, 697–706. doi:10.1177/1948550616649239.

Hicks, J. A., & King, L. A. (2009). Meaning in life as a judgment and lived experience. *Social and Personality Psychology Compass*, *3*, 638–653.

Howell, R. T., Chenot, D., Hill, G., & Howell, C. J. (2011). Momentary happiness: The role of psychological need satisfaction. *Journal of Happiness Studies*, *12*, 1–15.

Iyengar, S. S., & Lepper, M. R. (2000). When choice is demotivating: Can one desire too much of a good thing? *Journal of Personality and Social Psychology*, *79*, 995–1006. doi:10.1037/0022-3514.79.6.995.

Kahneman, D. (1999). Objective happiness. In D. Khaneman, E. Diener, & N. Schwarz (Eds.), *Well-being: Foundations of hedonic psychology* (pp. 3–25). New York: Russell Sage Foundation Press.

Kahneman, D., & Deaton, A. (2010). High income improves evaluation of life but not emotional well-being. *Proceedings of the National Academy of Sciences*, *107*(38), 16489–16493.

Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., & Stone, A. A. (2006). Would you be happier if you were richer? A focusing illusion. *Science*, *312*, 1908–1910. doi:10.1126/science.1129688.

Kasser, T., & Ahuvia, A. (2002), Materialistic values and well-being in business students. *European Journal of Social Psychology*, *32*, 137–146.

Kasser, T., Rosenblum, K. L., Sameroff, A. J., Deci, E. L., Niemiec, C. P., Ryan, R. M., & Hawks, S. (2014). Changes in materialism, changes in psychological well-being: Evidence from three longitudinal studies and an intervention experiment. *Motivation and Emotion*, *38*(1), 1–22.

Kasser, T., & Ryan, R. M. (1993). A dark side of the American dream: Correlates of financial success as a central life aspiration. *Journal of Personality and Social Psychology*, *65*,410–422. doi:10.1037/0022-3514.65.2.410.

Kasser, T., & Ryan, R. M. (1996). Further examining the American dream: Differential correlates of intrinsic and extrinsic goals. *Personality and Social Psychology Bulletin*, *22*, 280–287. doi:10.1177/0146167296223006.

Kasser, T., & Ryan, R. M. (2001). Be careful what you wish for: Optimal functioning and the relative attainment of intrinsic and extrinsic goals. In P. Schmuck & K. M. Sheldon (Eds.), *Life goals and well-being: Towards a positive psychology of human striving* (pp. 116–131). Gottingen: Hogrefe & Huber.

Kasser, T., & Sheldon, K. M. (2000). Of wealth and death: Materialism, mortality salience, and consumption behavior. *Psychological Science*, *11*, 352–355. doi:10.1111/14679280.00269.

Keynes, J. M. (1936). *The general theory of employment, interest, and money*. New York: Palgrave Macmillan.

King, L. A., Hicks, J. A., Krull, J. L., & Del-Gasio, A. K. (2006). Positive affect and the experience of meaning in life. *Journal of Personality and Social Psychology*, *90*(1), 179–196.

Klonowicz, T. (2001). Discontented people: Reactivity and locus of control as determinates of subjective well-being. *European Journal of Personality*, *15*, 29–47.

Kraus, M. W., & Keltner, D. (2009). Signs of socioeconomic status: A thin slicing approach. *Psychological Science*, *20*, 99–106. doi:10.1111/1467-9280.2008.02251.x.

Kuhn, P., & Lozano, F. (2008). The expanding workweek: Understanding trends in long work hours among U.S. men, 1979–2004. *Journal of Labour Economics*, *26*, 311–343. doi:101086/533618.

Kumar, A., Mann, T. C., & Gilovich, T. D. (2014). Questioning the "I" in experience: Experiential purchases foster social connection. In J. Cotte & S. Wood (Eds.), *Advances in Consumer Research* (pp. 101–105). Duluth, MN: Association for Consumer Research.

Lang, F. R., & Heckhausen, J. (2001). Percieved control over development and subjective well-being: Differential benefits across adulthood. *Journal of Personality and Social Psychology*, *81*, 509–523.

Larson, R. (1978). Thirty years of research on the subjective well-being of older Americans. *Journal of Gerontology*, *33*, 109–125.

Linville, P. W., & Fischer, G. W. (1991). Preferences for separating or combining events. *Journal of Personality and Social Psychology*, *60*(1), 2–23.

Lyubomirsky, S., King, L., & Diener, E. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, *131*, 803–855. doi:10.1037/00332909.131.6.803.

Mellers, B. A. (2000). Choice and the relative pleasure of consequences. *Psychological Bulletin*, *126*(6), 910–924.

Meltzer, H., Bebbington, P., Brugha, T., Jenkins, R., McManus, S., & Dennis, M. S. (2011). Personal debt and suicidal ideation. *Psychological Medicine*, *41*, 771–778.

Mitchell, T. R., Thompson, L., Peterson, E., & Cronk, R. (1997). Temporal adjustments in the evaluation of events: The "rosy view." *Journal of Experimental Social Psychology*, *33*(4), 421–448.

Nelson, L. D., & Meyvis, T. (2008). Interrupted consumption: Adaptation and the disruption of hedonic experience. *Journal of Marketing Research*, *45*, 654–664.

Norris, J. I., & Larsen, J. T. (2011). Wanting more than you have and it's consequences for wellbeing. *Journal of Happiness Studies*, *12*, 877–885. doi:10.1007/s.10902-010-9232-8.

Norton, M. I., Mochon, D., & Ariely, D. (2012). The IKEA effect: When labor leads to love. *Journal of Consumer Psychology*, *22*(3), 453–460.

Patrick, H., Knee, C. R., Canvello, A., & Lonsbary, C. (2007). The role of need fulfillment in relationship functioning and well-being: A self determination theory perspective. *Journal of Personality and Social Psychology*, *92*, 434–457.

Piff, P. K., Kraus, M. W., Côté, S., Cheng, B. H., & Keltner, D. (2010). Having less, giving more: The influence of social class on prosocial behavior. *Journal of Personality and Social Psychology*, *99*, 771–784. doi:10.1037/a0020092.

Reis, H. T., Sheldon, K. M., Gable, S. L., Roscoe, J., & Ryan, (2000). Daily well-being: The role of autonomy, competence, and relatedness. *Personality and Social Psychology Bulletin*, *26*, 419–435.

Richins, M. L., & Dawson, S. (1992). A consumer values orientation for materialism and its measurement: Scale development and validation. *Journal of Consumer Research*, *19*, 303–316.

Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well being. *American Psychologist*, *55*(1). 68–78.

Savani, K., Mead, N. L., Stillman, T., & Vohs, K. D. (2016). No match for money: Even in intimate relationships and collectivistic cultures, reminders of money weaken sociomoral responses. *Self and Identity*, *15*, 342–355. doi:10.1080/15298868.2015.1133451.

Sheldon, K. M., Ryan, R. M., & Reis, H. T. (1996). What makes for a good day? Competence and autonomy in the day and in the person. *Personality and Social Psychology Bulletin*, *22* 1270–1279.

Shwartz, B., Ward, A., Monterosso, J., Lyubomirsky, S., White, K., & Lehman, D. R. (2002). Maximizing versus satisficing: Happiness is a matter of choice. *Journal of Personality and Social Psychology*, *83*, 1178–1197.

Sweet, E., Nandi, A., Adam, E. K., & McDade, T. W. (2013). The high price of debt: Household financial debt and its impact on mental and physical health. *Social Science and Medicine*, *91*, 94–100.

Van Boven, L., & Gilovich, T. (2003). To do or to have? That is the question. *Journal of Personality and Social Psychology*, *85*(6), 1193–1202.

Vohs, K. D., Mead, N. L., & Goode, M. R. (2006). The psychological consequences of money. *Science*, *314*, 1154–1156. doi:10.1126/science.1132491.

Vohs, K. D., Mead, N. L., & Goode, M. R. (2008). Merely activating the concept of money changes personal and interpersonal behavior. *Current Directions in Psychological Science*, *17*, 208–212. doi:10.1111/1467-8721.2008.00576.x.

Watson, J. J. (2003). The relationship of materialism to spending tendencies, savings, and debt. *Journal of Economic Psychology*, *24*, 723–739. doi:10.1016/j.joep.2003.06.00.

Weidman, A. C., & Dunn, E. W. (2016). The unsung benefits of material things: Material purchases provide more frequent momentary happiness than experiential purchases. *Social Psychological and Personality Science*, 7(4), 390–399.

Whillans, A. V., Dunn, E. W., & Norton, M. I. (2016). *The benefits and barriers of buying happier time*. Data Blitz Talk, Judgment & Decision Making Preconference at the Society for Personality & Social Psychology, San Diego, CA.

Whillans, A., Weidman, A. C., & Dunn, E. W. (2015). Valuing time over money is associated with greater happiness. *Social Psychology and Personality Science*, 7(3), 213–222.

White, R. W. (1963). *Ego and Reality in Psychoanalytic Theory*. New York: International Universities Press.