

If money doesn't make you happy, you aren't spending it right

Research finds it's not how much money you make that really matters, it's more about how you spend it. Here are eight strategies to help you get the biggest happiness buck



Many have been told by a wise relative at some point that “money can't buy happiness”. And research backs this up: beyond a certain minimum level, more money does not necessarily bring much more happiness. But some academics believe it's not the amount spent but rather the way in which money is spent that can have a substantial impact on how happy we are.

Psychologists Elizabeth Dunn (co-author with Michael Norton of [Happy Money](#)), Dan Gilbert, and Timothy Wilson suggest that “if money doesn't make you happy, then you probably aren't spending it right”. In their research paper, the trio offer a list of eight strategies to keep in mind when spending money that may help to improve happiness.

1. Buy experiences instead of things

When we get used to something our happiness wears off, and research shows people adapt to material goods (such as a new sofa) faster than to experiences (such as a carpentry class). Additionally, people anticipate and remember experiences more than they remember things, so we derive pleasure not just when we have the experience, but also before and after. Experiences

have the added benefit of often being shared with other people and socialising tends to make us happy.

2. Help others instead of yourself

Spending on others or [giving to charity](#) is known to make us happier than spending on bills or gifts for ourselves. Researchers gave people up to \$20 cash and told them either to spend it on themselves or to spend it on others. The participants were contacted at the end of the day, and those who spent their money on others reported being happier on average. Interestingly, most people don't realise this and predict that spending money on themselves will make them happier.

3. Buy many small pleasures instead of a few big ones

Since we adapt to our purchases, it may be worth replacing one big purchase with spending the same amount on several different little pleasures over time to experience many new hits of happiness. For example, in a study from 2008, researchers gave people either one long massage or two shorter massages split by a 20-second break. The second group, experiencing more, shorter massages enjoyed the overall experience more and were willing to pay more, even though they had an objectively inferior massage as the total massage time was shorter. So when planning the year ahead, try two short holidays instead of one long one to boost the happy effect.

4. Buy insurance that's worthwhile

We buy insurance to protect us from potential problems, but there is a point at which insurance might go too far. Just as we adapt to pleasures, so too do we adapt to pains. So if the TV, for example, plays up, it seems the owner will quickly get used to the missing button on the remote control or the volume being stuck on a particular level. Studies show that we enjoy something more if we don't have the opportunity to exchange it, so consider skipping the expensive warranties or exchange policies.

5. Pay now and consume later

The flip side of this motto, "buy now, pay later", encourages financial short-sightedness which can lead to debt and problems repaying. Along with avoiding these problems, paying upfront may improve happiness because when you do eventually consume (say a meal at a restaurant), you don't have to think about the upcoming bill; the pain of paying is reduced. Also, paying in advance provides time to look forward to the event. People enjoy the anticipation of a pleasurable future treat, sometimes even more so than they enjoy the treat itself.

6. Think about what you're not thinking about

Our tendency to mispredict how we'll feel in the future (referred to as poor affective forecasting) may skew our ability to judge how worthwhile a purchase is and how much happiness (or not) it will bring. The poor forecasting is partly down to the fact that we too [narrowly focus](#) our attention on a single event. For example, we may think that a bigger house will make us happy, but have possibly ignored the more mundane aspects of a bigger house such as the extra space that needs to be cleaned. Considering "everything else" may help to judge better if your plans will make life better.

7. Follow the herd instead of your head (sometimes)

Following the herd can be costly when investing but in other situations, the opinion of the crowd can help. Ratings of products, experiences, or even people, can give us a better idea of how much we'll like them, more so than a detailed search on their various attributes. So checking out Amazon customer reviews may help predict whether you'll enjoy that new book better than checking how many literary prizes the author has won.

8. Beware of comparison shopping

When we shop and compare products, the context while we are comparing is often not the context in which we will be consuming – and this can make a big difference. In a store, one camera having more megapixels than others on offer seems important, but on holiday it might be that you are simply happy to have something on hand to capture the image of your sister feeding a parrot. This doesn't mean that you should never look for the best deal; it simply suggests that when comparison shopping, it may help to zoom out and think about the big picture.

[Read the full paper here](#)

Some people [question](#) whether happiness is even a purpose of money. Other argue that thrift or spending less can improve happiness. Academics Joseph Chancellor and Sonja Lyubomirsky [cite](#) several studies finding materialistic people to be unhappier, feel less competent, and have worse social relationships than thriftier counterparts. But when it comes to boosting happiness, tweaking the way we spend might help. The idea isn't that we need to spend more (and, of course, many things or experiences that bring happiness are free). Rather, the idea is to spend differently to make the most of what brings us happiness.

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Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet
Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Robert Carnell
Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com