

## Happy Money

Elizabeth Dunn & Michael Norton—2013.

### Prologue

- Shifting from buying stuff to buying experiences, and from spending on yourself to spending on others, can have a dramatic impact on happiness.
- Surprisingly, even experiences that seem a little painful can produce lasting pleasure. We'll show how, by harnessing the power of experiences, an entrepreneur named Will Dean convinced people to pay him for the privilege of crawling through pits of mud.
- Will describe new research showing that driving a luxury car provides no more happiness than in the economy model.
- How this purchased change the way I use my time? Will people focus on their time rather than their money, act like scientists of happiness, choosing activities that promote their well-being?
- Spending money on others provides a bigger happiness boost than spending money on yourself.

### Chapter 1: buy experiences.

- **Research shows that experiences** provide more happiness than material goods in part because experiences are more likely to make us feel connected to others.
- Explaining the disillusionment that prompted him to start Tough Mudder, Dean says, "The thing I really disliked about triathlons and marathons was that the only real arbiter of how well you did was your time. People ask, 'What time did you run?' There really isn't anything else left to ask. Here, you can ask, 'What did you think of the burning obstacle?'"
- Asked whether they would prefer to stay in Quebec City's ice hotel (the Hotel de Glace) or a more standard Marriott hotel in Florida, the vast majority of respondents thought that the Florida hotel would be more pleasant. But almost all of them thought the ice hotel would be more memorable. And memorable won the day, with 72 percent indicating that given a choice of where to stay, they'd ice it up.
- 83% people sided with Mark Twain, reporting that their biggest single regret was one of interaction.
- But our discussion so far suggests that across a wide range of different types of experiences, you're likely to get the biggest bang for your buck if:
  - The experience brings you together with other people. Fostering a sense of social connection.
  - The experience makes a memorable story that you'll enjoy retelling for years to come.
  - The experience is tightly linked to your sense of who you are or want to be.
  - The experience provides a unique opportunity, eluding easy comparison with other available options.
- Satisfaction with experiential purchases tends to increase with the passage of time, all satisfaction with material purchases tend to decrease.

### Chapter 2: make it a treat.

- Abundance, it turns out, is the enemy of appreciation.

- **This phenomenon helps** explain why the relationship between income and happiness is weaker than many people expect. At the same time that money increases our happiness by giving us access to all kinds of wonderful things, knowing “we have access to wonderful things undermines our happiness by reducing our tendency to appreciate life’s small joys.
- When we know something won’t last forever, we are more likely to savor it.
- People derived significantly more joy from interacting with their romantic partners when they treated the loves of their lives as though they were complete strangers. Before writing off Valentine’s Day as an excuse to sell greeting cards, remember the value of making an effort (every a while) to be your best self around your romantic partner.
- And boredom turns out to be a surprisingly potent force that can chip away at even the strongest relationships. Current levels of boredom predict a married couple’s overall satisfaction with the relationship almost decade later.
- This failure to appreciate the value of treats may push people away from enjoyable experiences. In one study, researchers paid people \$2, telling them they could keep the money or use it to purchase a ticket for a lottery.” When the lottery prize was a \$200 dinner to a gourmet restaurant, 84 percent of people bought a ticket. When the prize was \$200 cash, only 65 percent of people bought the ticket. This difference is remarkable. After all, you could use the \$200 in cash to buy a \$200 dinner, or anything else you desired. But the opportunity for a treat in the form of a gourmet dinner provided a more compelling incentive than cash, which most people thought they’d use for boring necessities, such as groceries. Until, that is, the re- I searchers presented the two options side by side. When people had the choice between the dinner or the cash, more than twice as many people chose the cash over the dinner. Choosing cash is economically rational, sensible, and defensible—but, given the value of treats, probably detrimental for happiness.

### **Chapter 3: buy time.**

- At Intel, a typical information technology employee receives 350 emails per week and devotes twenty hours to managing this river of messages. A full 30 percent of these emails are viewed as unnecessary.
- People in the United States spend about four hours more per week engaging in leisure than they did in the 1960s, while work hours have remained relatively constant. Shifting demographics, such as women entering the workforce, can complicate such cross decade comparisons. But our sense that we have less free time now than people did in earlier decades may be largely an illusion.
- Companies can potentially increase their employees’ feelings of time affluence by providing them with opportunities to help others.
- Most people would benefit from using their money to change the amount of time they spend on three key activities: commuting, watching television, and hanging out with friends and family.
- According to the U.S. Census Bureau, Americans spend more than two weeks of the year commuting—more than their typical annual vacation time.
- Taking a job that requires an hour-long commute each way has a negative effect on happiness similar in magnitude to not having a job at all.
- The average household devotes almost 20% of income to driving expenses.

- The average American worker will work 500 hours a year – two hours out of every day – just to pay for their cars.
- To offset the happiness costs of going from no commute to 22 minute commute, the average person will need to see their income rise by over a third.
- **Playing with** children produce more positive feelings than almost any other common daily activity.
- Aside from commuting, working is the only activity that produces unpleasant moods more than 25% of the time.
- 50% of all new products at Google stem from projects developed on the 20% time.
- At Intel, employees can take an eight-week sabbatical every seven years. In a given year, one out of every 20 employees goes on sabbatical.
- Employees on sabbatical are cut off from their corporate email accounts, and are banned from checking in with the office.
- [www.yoursabbatical.com](http://www.yoursabbatical.com) devoted to helping employees figure out how best to spend this windfall of time.
- As a result, many of us have experienced what Gal Zauberan at the University of Pennsylvania terms the “Yes...Damn!” effect. We agree to do something far in advance, only to regret it when the time rolls around.
- Think about Tuesday. Take the time to consider what you’ll be doing from morning to night this Tuesday. How well the purchase affect you on Tuesday? This simple exercise – thinking about time used on a specific day – helps us make less biased predictions about how much anyone thing will influence our happiness.
- Potential donors contribute more time and more money to charity when they’re first asked about their willingness to donate time. Thinking about time makes people focus on the warm glow of giving to others, propelling them to help however they can. It also increases the appeal of experiential purchases. People waiting in line for an outdoor concert in San I Francisco reported how much time or how much money they had spent to see the concert that day. Concertgoers felt more (enthusiastic about the event when they thought about the time I (versus money) they had spent to be there.

#### **Chapter 4: pay now, consume later.**

- You’ll get more happiness for your money by following a different principle. Pay now, and consume later.
- What separates the suicidal from the rest of us is not an abundance of negative thoughts about the future, but rather an absence of positive ones.
- In a 2009 experiment, Belgian adults spent a few minutes every evening for two weeks envisioning several positive events that might happen the next day, from receiving a text message sent by a former flame to eating frites at a café. After two weeks of fantasizing, these mental time travelers exhibited a significant increase in their overall happiness.
- Haley explains that when the monthly email notifies members that the boxes have shipped, “twitter blows up. Everyone starts freaking out that there box is coming”. The key? Uncertainty.
- So, when is delaying consumption most beneficial in getting the biggest happiness bang for your buck?

- When the delay provides an opportunity to seek out enticing details that will promote positive expectations about the consumption experience, as well as excitement in the interim. Think TripAdvisor and Birchbox.
- When anticipating the purchase makes you drool, increasing the pleasure of eventual consumption. Think Hershey's Hugs. In contrast, we do not recommend delaying neutral necessities like oil changes or unenviable expenses like root canals, which produce a more unwelcome form of drool.
- When the consumption experience itself will be fairly fleeting. Think spaceflights. In these cases, delay provides a valuable opportunity to draw out the pleasure beyond the experience itself
- (kayak.com) research shows that waiting can increase satisfaction if customers get the impression that work is being done on their behalf during the delay. This "labor illusion" is so powerful that it leads customers to prefer services that make them wait to services that provide the same quality immediately.
- When students had the opportunity to bid on a pair of tickets to a sold out sporting event, those told they would have to pay with cash by the next day bid an average of \$28 for the tickets. Their peers who use credit cards bid an average of \$60.
- Katia and Hayley hear similar comments from their clients at Birchbox. As Hayley explains, "People call Birchbox 'free' all the time." Most customers are billed at the beginning of the month and receive their box about two weeks later, effectively separating payment and consumption. And 20 percent of customers pay up front at the beginning of the year, allowing them to enjoy twelve pink boxes with the pain of payment long behind them.

### **Chapter 5: invest in others.**

- Because Mike has a terrible memory, he is forgotten about his donation experience when he went furniture shopping. Yet he can't help but wonder if his decision to splurge on those extra tables may have had something to do with lingering good feelings toward Crate & Barrel, the retailer that gave him the opportunity to donate. For just a \$50 charity voucher, Crate & Barrel won Mike as a customer for life in a way that a \$50 store coupon could never have.
- Below, we describe three strategies designed to boost the impact of investing in others: make it a choice, make it a connection, and make an impact.
- It costs Kickstarter about \$250 to get a pump into the hands of the family that will use it well." That may seem like a lot of money to help just one family, but Kevin explains that "it looks quite different when posed as 'You give us \$250, and we'll get a family out of poverty – forever.'"
- Enabling donors to see the specific impact of a charitable incentive carries a huge potential payoff.
- Laszlo Bock, vice president for people operations at Google, explains that "any employee can give any other employee \$150" from a special fund. "There's no oversight, no management review, no approvals required. The only requirement is that you have to write at least a sentence explaining why they got it." Even in a company that pays "aggressively" (as Laszlo puts it), where \$150 represents a vanishing fraction of most employees' income, Google's research shows that this small bonus "is more effective—and makes people happier—than a cash-based award from a manager or executive

- Did these pro-social bonuses improve team performance? Teams who had been given personal bonuses went from winning 50 percent of their games before they received the bonus to 43 percent after. But those teams who received prosocial bonuses went from winning 50 percent of their games to dominating the league, winning fully 80 percent their games post-bonus.
- Replicating the dodge ball study in a different context, researchers handed out money again, this time to fourteen pharmaceutical sales teams in Belgium. Each team consisted of about eight members, and the researchers gave several members of each team 15 euros, measuring team sales performance before and afterward. On half the teams, members were instructed to spend the money on themselves, while on the other teams; they spent the money on their teammates. Sales performance remained flat on the teams where members spent the money on themselves, but sales shot up on teams that received prosocial bonuses. For every 15 euros given to team members to spend on themselves, the company got just 4.5 euros back—a net loss. Because sales failed to increase, personal bonuses were wasted money. In sharp contrast, for every 15 euros given to a team member to spend prosocially, the company reaped 78 euros.
- **What's worse**, because cause-related marketing can focus people on their own desires (what iPod do I want?) rather than on the impact of their donations (how will someone benefit from this money?), it can reduce the happiness people get from giving.
- At the store, she paid the layaway orders for as many as fifty random strangers.

### **Epilogue: Zooming Out.**

- As we saw in the last chapter, a Starbucks gift card provided the most happiness when people used it to buy coffee for someone else, while accompanying them to Starbucks—which allowed them not only to invest in others (chapter 5), but also to buy an experience (chapter 1), and change the way they spent their time that day (chapter 3). And in your daily life, you could knock off the other two principles by paying up front for the Starbucks card at the beginning of the week (chapter 4) and putting just enough money on the card to buy a basic coffee Monday through Thursday but a Frappuccino on Friday—making that delicious dose of creamy caffeine a treat (chapter 2).
- Here are the principles again:
  - Buy Experiences
  - Make It a Treat
  - Buy Time
  - Pay Now, Consume Later
  - Invest in Others
- Nearly 40% of all car rides in the United States are 2 miles or less.
- 89% of trips and United States are by car.