Don’t Indulge. Be Happy.

By ELIZABETH DUNN and MICHAEL NORTON

HOW much money do you need to be happy? Think about it. What’s your number?

Many of us aren’t satisfied with how much we have now. That’s why we’re constantly angling for a raise at work, befriending aged relatives and springing, despite long odds, for lottery scratch tickets.

Is it crazy to question how much money you need to be happy? The notion that money can’t buy happiness has been around a long time — even before yoga came into vogue. But it turns out there is a measurable connection between income and happiness; not surprisingly, people with a comfortable living standard are happier than people living in poverty.

The catch is that additional income doesn’t buy us any additional happiness on a typical day once we reach that comfortable standard. The magic number that defines this “comfortable standard” varies across individuals and countries, but in the United States, it seems to fall somewhere around $75,000. Using Gallup data collected from almost half a million Americans, researchers at Princeton found that higher household incomes were associated with better moods on a daily basis — but the beneficial effects of money tapered off entirely after the $75,000 mark.

Why, then, do so many of us bother to work so hard long after we have reached an income level sufficient to make most of us happy? One reason is that our ideas about the relationship between money and happiness are misguided. In research we conducted with a national sample of Americans, people thought that their life satisfaction would double if they made $55,000 instead of $25,000: more than twice as much money, twice as much happiness. But our data showed that people who earned $55,000 were just 9 percent more satisfied than those making $25,000. Nine percent beats zero percent, but it’s still kind of a letdown when you were expecting a 100 percent return.

Interestingly, and usefully, it turns out that what we do with our money plays a far more important role than how much money we make. Imagine three people each win $1 million in the lottery.
Suppose one person attempts to buy every single thing he has ever wanted; one puts it all in the bank and uses the money only sparingly, for special occasions; and one gives it all to charity. At the end of the year, they all would report an additional $1 million of income. Many of us would follow the first person’s strategy, but the latter two winners are likely to get the bigger happiness bang for their buck.

We usually think of having more money as allowing us to buy more and more of the stuff we like for ourselves, from bigger houses to fancier cars to better wine to more finely pixilated televisions. But these typical spending tendencies — buying more, and buying for ourselves — are ineffective at turning money into happiness. A decade of research has demonstrated that if you insist on spending money on yourself, you should shift from buying stuff (TVs and cars) to experiences (trips and special evenings out). Our own recent research shows that in addition to buying more experiences, you’re better served in many cases by simply buying less — and buying for others.

Indulgence is often closely trailed by its chubby sidekick, overindulgence. While the concept of overindulgence is probably all too familiar to anyone who’s ever attended a Thanksgiving dinner, the word “underindulgence” doesn’t exist. (Type it into Dictionary.com, and you’ll be asked, “Did you mean counter intelligence?”) But research shows that underindulgence — indulging a little less than you usually do — holds one key to getting more happiness for your money.

In a recent study conducted by our student Jordi Quoidbach, chocolate lovers ate a piece of this confection — and then pledged to abstain from chocolate for one week. Another group pledged to eat as much chocolate as they comfortably could and were even given a mammoth two-pound bag of chocolate to help them meet this “goal.”

If you love chocolate, you might think that the students who absconded with the chocolaty loot had it made. But they paid a price. When they returned the next week for another chocolate tasting, they enjoyed that chocolate much less than they had the week before. The only people who enjoyed the chocolate as much the second week as they had the first? Those who had given it up in between. Underindulging — temporarily giving up chocolate, even when we have the cash to buy all we want — can renew our enjoyment of the things we love.

The value of underindulgence casts a different light on the current debate over restricting sugary sodas. Driven by the childhood-obesity crisis, many school districts around the country have banished soda from their campuses. Leaving aside the potential health benefits of these initiatives, banning soda for a large chunk of the day may actually improve its taste. Researchers at Arizona State University demonstrated that people enjoy soda significantly more when they can’t have it

right away. (The effect doesn’t hold for prune juice, a beverage that rarely incites overindulgence.)

Mayor Michael R. Bloomberg’s recent proposal to ban giant-size soda in New York City offers another intriguing route to underindulgence. Happiness research shows that, as the food writer Michael Pollan put it, “The banquet is in the first bite.” That first sip of soda really is delicious, catching our tongues by surprise with its bubbly sweetness. But our tongues and our minds quickly get used to repeated pleasures, and so the 39th sip is not as delightful as the first. Because limiting the size of sodas curtails these less pleasurable sips, Mayor Bloomberg’s proposal may improve our pleasure-to-calorie (and pleasure-to-coin) ratio, an overlooked benefit in the heated debate about the consequences of such initiatives for our freedom and our health.

USING your money to promote underindulgence requires a shift in behavior, for sure. But another scientifically validated means of increasing the happiness you get from your money is even more radical: not using it on yourself at all.

Imagine walking down the street to work and being approached by our student Lara Aknin, who hands you an envelope. You open the envelope and find $20 and a slip of paper, which tells you to spend the cash on something for yourself by the end of the day. Sounds like a pretty sweet deal. Now imagine instead that the slip of paper told you to spend the cash on someone else. Being generous is nice, sure, but would using the money to benefit someone else actually make you happier than buying yourself the belt, DVD or apps you’ve been dying to get?

Yes, and it’s not even close. When we follow up with people who receive cash from us, those whom we told to spend on others report greater happiness than those told to spend on themselves. And in countries from Canada to India to South Africa, we find that people are happier when they spend money on others rather than on themselves.

But what about individuals who are notorious for their struggles with sharing? Surely the emotional benefits of giving couldn’t possibly apply to very young children, who cling to their possessions as though their lives depended on it. To find out, we teamed up with the developmental psychologist Kiley Hamlin and gave toddlers the baby-equivalent of gold: goldfish crackers. Judging from their beaming faces, they were pretty happy about this windfall. But something made them even happier. They were happiest of all when giving some of their treats away to their new friend, a puppet named Monkey. Monkey puppets aside, the lesson is clear: maximizing our happiness is not about maximizing our goldfish. To be clear, having more goldfish (or more gold) doesn’t decrease our happiness — those first few crackers may provide a genuine burst of delight. But rather than focusing on how much we’ve got in our bowl, we should think
more carefully about what we do with what we’ve got — which might mean indulging less, and may even mean giving others the opportunity to indulge instead.

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