

## Making **S.M.A.R.T.** Financial Decisions

### Spending for Happiness

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I've got \$100 here that I've budgeted for spending on whatever I want. I'm considering purchasing this compressible down jacket. When I leave California in the winter, it would be great to have a lightweight jacket that didn't take up too much room in my suitcase. Or I might buy five classes at the Athletic Playground for \$20 each. I'm trying to learn to do a handstand. Five more handstand classes could do the trick. Finally, I'm wondering if I should give this \$100 to someone else—maybe to Vitamin Angels, which is one of my favorite charities. Since the \$100 is budgeted for spending on wants, I can spend it as I like. But which of these options will make me happiest?

I recently read the book-- yes, this one's in my digital library-- Happy Money, the Science of Smarter Spending by Elizabeth Dunn and Michael Norton. Dunn and Norton have several suggestions for how to get the most happiness out of your spending.

Number one is to buy experiences, not things. We tend to get used to things-- a new shirt, a new TV, even a new car. Of course, you may need a car to get to work. But how nice, new, and expensive of a car do you need? Will the thrill of new ownership fade faster than that new car smell? Objects tend to be more permanent than experiences. However, the enjoyment we get from experiences lives on. People get happiness from remembering a good vacation-- sometimes even a challenging vacation. And it's more fun to tell your friends about adventures you had than about the pixel count on your new flat screen.

Number two-- Dunn and Norton's second suggestion is to make it a treat. I once gave my friend Julie a dark chocolate square. She thanked me and told me that she would save it for Friday, because she only eats chocolate on Fridays. I don't have enough willpower to turn down chocolate six days a week, but I bet Julie really enjoys her Friday chocolates. People get used to things. Sometimes that's for the better. Growing up in Minnesota, I got used to subzero temperatures in the winter, and swarms of mosquitoes in the summer. But we also get used to the things we enjoy. Whether chocolate or a luxury car, our enjoyment diminishes over time. So shake it up a bit. Indulge in treats, but not the same treat every day. And try buying many smaller things that you enjoy, rather than a few expensive ones.

Number three-- buy time. Many of us spend too little time doing the things we really enjoy. Dunn and Norton suggest looking for ways to get more time to enjoy things, even at the cost of some money. And once again, avoid falling into habituation. A good TV show once or twice a week is going to bring you more pleasure than four shows every night.

Number four-- pay now, consume later. This is really important, not only for your enjoyment but for your personal finances. Say you want to go to Hawaii, and you've got two choices. Choice one-- go next week. Pay with a credit card. You can get immediate satisfaction, but you come home to debt that you'll be paying for months. Furthermore, the trip will end up costing you more because of the high interest rate credit card companies charge. What if you wait, save money first, and then say aloha? Not only is

the trip cheaper, but you're going to enjoy it more. You get to enjoy it in anticipation. You enjoy thinking about the fun you're going to have. You enjoy planning what you're going to do. Then you enjoy your well-earned vacation. And when you come home, you can enjoy the memories of the islands without being reminded of the debt you're still paying. So pay now and consume later.

Number five-- invest in others. People who donate to charity, give gifts to friends, and help others report more happiness per dollar spent than those who buy gifts for themselves. Think about the joy you've gotten and given from the gifts you've given in the past. Keep it up.

There's a lot more in Happy Money than I've discussed here. I suggest you save \$15, find some time, read the book, and then give it to a friend.

Meanwhile, I still have \$100 to spend. I've got a birthday coming up soon. And my wife does not like me to buy things for myself right before my birthday. So no down jacket. And one of these weekends I'll go back to Athletic Playground. So maybe I'll try an acroyoga or aerial class for a new challenge. But this \$100? I'm going to give it to Vitamin Angels.

[MUSIC PLAYING]