Live happier on the money you have

How much money you make isn’t nearly as important as how you use it, according to Elizabeth Dunn and Michael Norton, authors of the new book *Happy Money*. In fact, they say, once you get to $75,000 a year, a bigger paycheck has no impact on day-to-day bliss. So smile, and follow their proven rules for feel-good spending.

Shell out on friendships

Research shows that our best moods often come when we’re spending time with family and friends. “Yet when many people are saving up for something major—a car, a computer, a TV, whatever—one of the first things they’ll cut back on is socializing,” says Dunn. “They’ll say, ‘I’d like to go out with you guys Friday night, but I’m saving up.’ Putting money away is a very positive goal that correlates to happiness, but when your route limits time with friends, you need to think about whether that’s a worthwhile trade-off.”

Ask yourself: How will I really use it?

When we’re making a big purchase, we tend to focus on isolated uses for the item. While buying that huge flat-screen and signing up for premium cable, for example, we imagine having friends over to watch the big game, or enjoying movies with the family—not the cumulative hours we’ll spend in front of it accompanied only by Ben & Jerry. So Dunn and Norton suggest doing this exercise before making a major purchase: Think about the coming Tuesday. Consider what you’ll be doing and how your purchase would affect you on that ordinary day, and then make your decision.

Splurge on experiences, not things

A decade of research tells us that purchases affect our happiness in ways we don’t expect. “Most of us think, Gosh, if I had limitless money, I could buy what I want, and I’d be happy,” says Dunn. “But it doesn’t work out that way.” There’s almost no scientific evidence, for example, that buying a home—or a newer, nicer one—increases joy. In fact, in one study that tracked how spending leads to happiness, researchers found that only one type of purchase had any impact: what they label “leisure,” i.e., things like trips, movies, and tickets to sporting events and concerts.
Parting with cash can hurt, literally. Seeing high prices can actually activate regions of the brain associated with real, stub-your-toe-style pain. Credit cards alleviate the “ouch” by letting us consume now and pay later, but this often proves financially dangerous. In one experiment, people buying tickets to a sold-out game offered an average of $28 when bidding with cash but jacked that up to $60 when wielding plastic. In another, researchers asked 30 people to estimate their credit-card expenses before opening their monthly bill, and every single one underestimated—by an average of 30 percent.

Putting time between your moment of enjoyment and what scientists call “the pain of paying” can make you happier with what you’ve bought. With the purchase in the distant past, goodies bought this way feel deliciously free, like the oh-so-sweet poolside piña coladas on your last all-inclusive vacation.

“If you’re choosing between a job where you’re going to be struggling to provide for your family versus one where you’ll be living comfortably, salary matters a lot,” says Dunn. But otherwise, even several thousand dollars more or less each year doesn’t have a dramatic effect. What should you be looking at? Coworkers, for one. “Being able to have pleasant conversations that help you think through your ideas and get you more excited about what you’re doing—that’s changing your everyday life in a way that $10,000 spread out over the year probably won’t,” says Dunn. And on the negative side: commute length. Traveling to and from work is one of the lowest-ranking activities, happiness-wise. The impact is so bad that taking a job that requires an hour-long commute each way has a negative effect on general contentedness just about equal to not having a job at all. Always ask yourself: What will that raise cost me?